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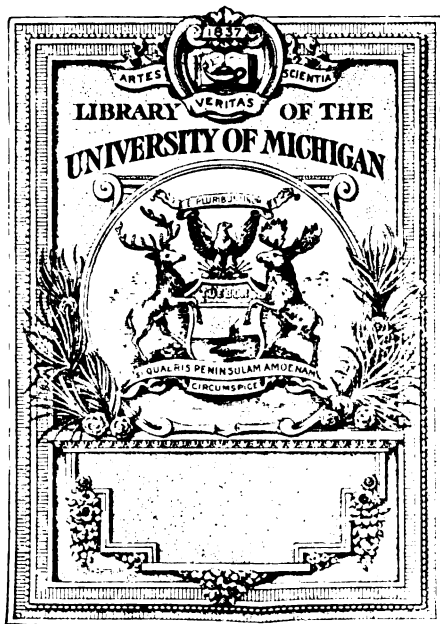
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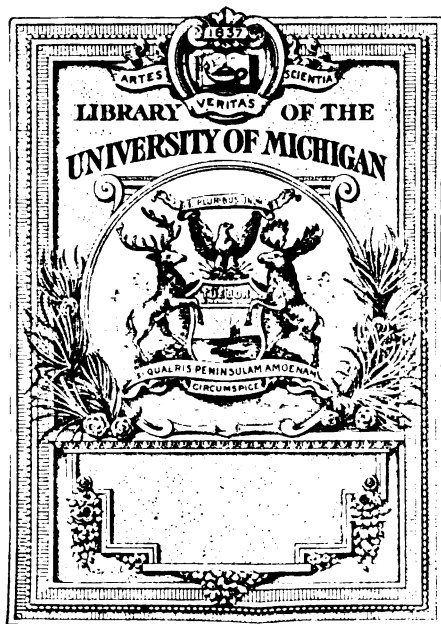


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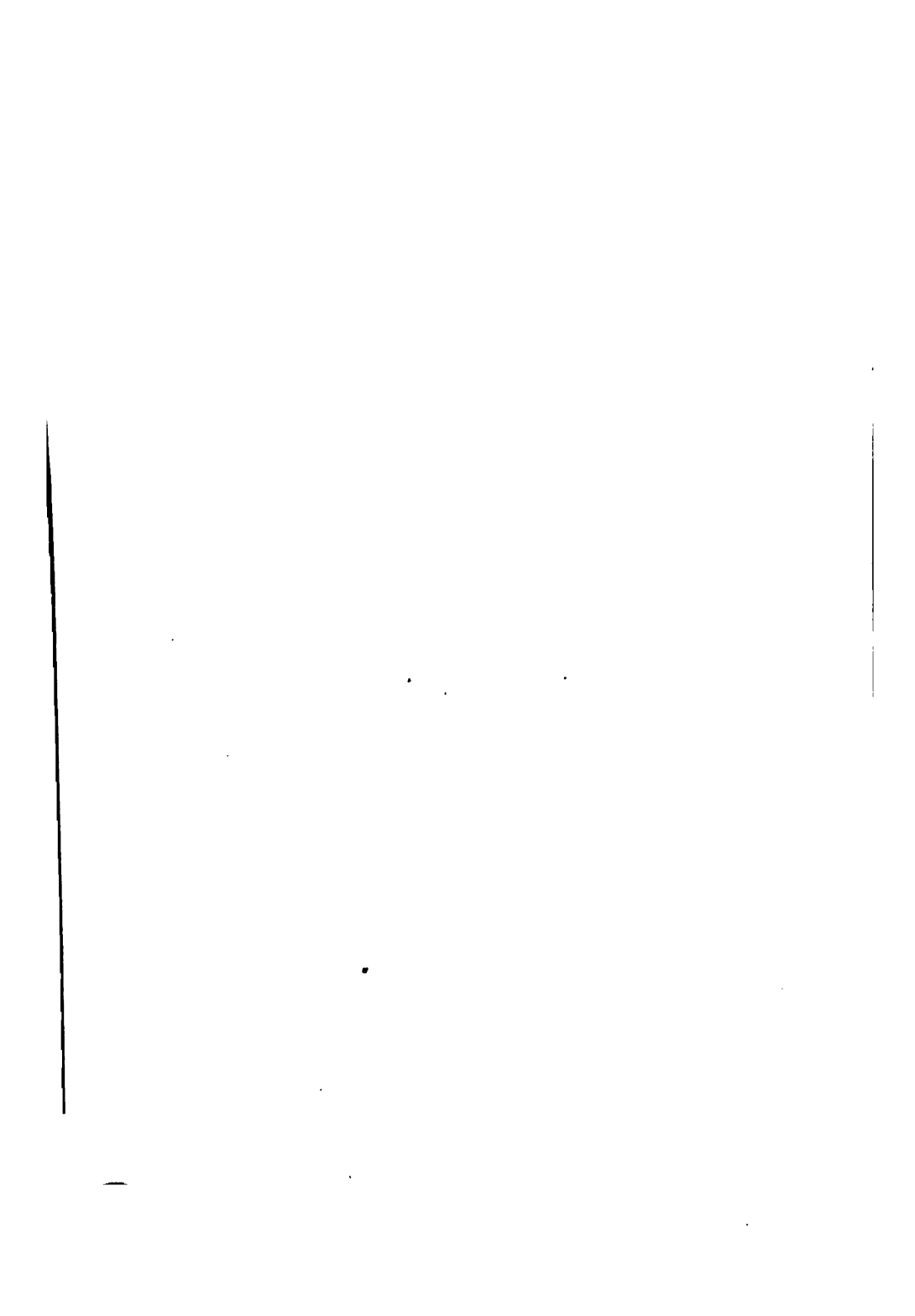
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**THE  
FUTURE OF RUSSIA**



THE  
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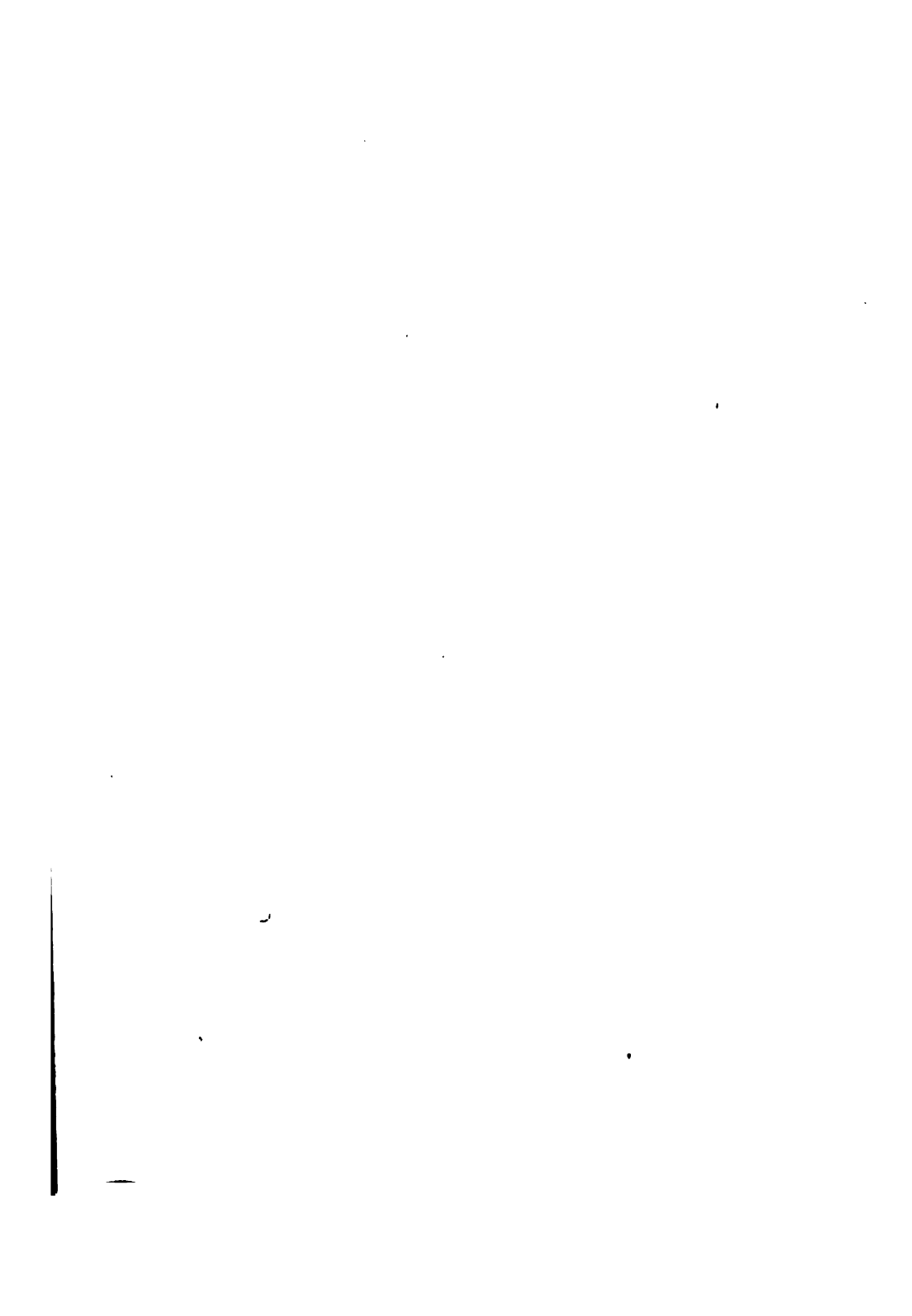
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TRANSLATED FROM THE GERMAN

BY  
HULDA FRIEDERICH

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## PREFACE

BERLIN, *March* 1906.

ON August 22, 1905, during the peace negotiations at Portsmouth, the first edition of my book, 'The Future of Russia and Japan,' was published. Within a few days and weeks the contents of the volume had been made known in all parts of the world. There can be but few books which have in so short a time and to an equal degree attracted the attention of the press of every civilised country. A large section of the press at home and abroad has attacked my assertions with an extraordinary amount of heat. My prediction of the revolution and State bankruptcy was stigmatised as phantastic nonsense.

In private life a conscientious man avoids predicting his neighbour's misfortune. Nor ought it to be said of a State that it is making for revolution and bankruptcy unless the prediction of such catastrophes is well-founded, and unless there are urgent reasons for a public warning. But when his own nation, his own country, is endangered by the revolution and bankruptcy of a neighbouring State; when a considerable part of the wealth of his

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country is in danger, then it is the duty of the man who knows the facts to raise a warning voice. This duty becomes the more imperative the less there is known of the actual circumstances of the neighbouring State, and the less the general public is in a position to form an opinion.

Before he predicts such tragic events as the revolution and bankruptcy of a neighbouring State, a conscientious man will see to it that his statements rest on a very safe foundation if he is aware that they will cause a considerable sensation. In the uncertain realm of politics trustworthy predictions can only be made upon a basis of absolutely reliable assumptions. A well-founded prediction concerning a great State catastrophe is of importance to everybody, no matter what his nationality may be. The steady progress of the civilisation of the world is of joint and separate interest to every human being. If I know that a vessel carries an infernal machine on board I warn every one who is about to embark on that vessel, whether he be German, Englishman, Frenchman, or Chinese. And when my own country in particular is threatened by a catastrophe I shall with special emphasis draw attention to the danger, nor shall any one turn me from this duty.

If I had been living at Berlin in the year 1788, I should have published a book on the subject of 'The Future of France and Germany.' In Chapter VI. of the present volume I shall show, under



the heading 'The Great Revolution,' that reliable reports in the 'Vossische Zeitung' concerning the state of affairs in France would have enabled a thoughtful and intelligent reader at Berlin to know beyond a doubt what was about to happen in France. The outbreak of the French Revolution, to which historians mostly give the date of the storming of the Bastille, July 14, 1789, could be clearly foretold from the 'Vossische Zeitung' as early as the year 1787. If a popular volume on the French Revolution and its consequences had appeared at, say, the beginning of the year 1788, this would have been of use not only to France but to the whole civilised world. A good representation of this kind is of value in any case to the private individual, and also to the statesman, even though the final course of events cannot be modified. To what inhabitant of a high mountain valley would it not be of use to know when the avalanche is coming, and what course it will take? If the destruction of his village can no longer be averted, he can at all events save himself, his family and his possessions.

At the very beginning of the Russo-Japanese war I was convinced that Russia would suffer a serious defeat, the consequences of which would be the revolution, and together with it the bankruptcy of the State. The defeat in war, however, was only the chance occasion for the revolution and the State bankruptcy; the real causes lie deeper. They are,

as I have pointed out in my book, the backwardness of Russian agriculture; the lack of education and capital among the peasants; the power of the anti-educational Greek Church; the peculiarities of the Slav race; the amount of the Russian National Debt and the strong contrasts between the various nationalities and professions in the Russian Empire. On the strength of these assumptions, which are scientifically correct, I predicted in my book, published on August 22, 1905, the revolution and State bankruptcy in Russia.

While holding that my assumptions are well-founded and scientifically correct, and that for this reason my predictions were accurate, the 'Nord-deutsche Allgemeine Zeitung' declared in a prominent place of its issue of Sunday, September 3, 1905, that my statements were without foundation, and my predictions were reckless prophecies. The following is the text of this historically remarkable explanation:—"In German capitalist circles interested in Russian values a recent work on "The Future of Russia and Japan" seems to have created some uneasiness. Considering the contents of the book, the uneasiness can only be explained by the fact that the author, Dr. Rudolf Martin, is a Government Councillor at the Imperial Statistical Office, his title as such being given on the front page. With regard to the conclusions arrived at, it is hereby emphatically stated that Mr. Martin has

written and published his book without the knowledge of either his superiors in office or of the Government. It goes without saying that the Government is in no way concerned with a work which, on the basis of unproved assumptions, arrives at wild conclusions concerning the fate of Russia within the next decades.'

On October 27, 1905, the railway strike in Russia for the granting of a constitution had become general. From that day public opinion in all civilised countries agreed that a revolution had broken out in Russia. This, the more important of my two predictions, had been verified. I was no longer called a false prophet. The sequel to this revolution, the State bankruptcy, which was my second prediction, will come about much sooner than it would have done without the revolution.

Shortly after the appearance of the above paragraph in the 'Norddeutsche Allgemeine Zeitung,' intended to reassure German capitalists, the Russian Empire entered upon a state of revolution which some day will cause not only serious uneasiness, but grievous trouble, to German capitalists interested in Russian values. On August 31, 1905, just before the notice appeared, Russian State securities of 1902 stood at 93.20. On December 22, 1905, they had fallen to 77.60. In March 1906 they were artificially and with difficulty kept up to 83 and 84. Before long they will fall to 70 or even 60. Even

Count Witte's organ, the 'Russkoe Gossudarstvo,' wrote, on February 22, 1906, in discussing credit operations by means of which 600 million roubles were immediately to be raised: 'In all probability we shall be obliged to resort to extreme measures. This, however, other countries have also been obliged to do in moments of difficulty.'

This plain statement contains a great deal that may well cause uneasiness to German capitalists interested in Russian prices. It stands in striking contrast to the optimism exhibited by Privy Councillor of the Legation, Professor D. Helfferich, with regard to recent Russian loans. Since this political economist and acknowledged authority on financial affairs published his extremely favourable articles on Russian finance in the 'Marine Rundschau,' issued by the Imperial Admiralty with his full official title, in the autumn of 1904, I considered it my duty to counterbalance their importance by giving my full official title last year to my representation of Russian finance.

It was not my official title, as the 'Norddeutsche Allgemeine Zeitung' has it, but the gravity of the contents of my book which made German capitalists uneasy and helped to prevent another Russian loan in Germany. My predictions have been proved by the course of events because the assumptions in my book were reliable and had a scientific basis. A nation of 142 million human beings can be judged

far more easily by its actions and achievements for decades in advance than an individual. And as my prediction of the fall of Russian prices and the beginning of the revolution have been justified by events, so also my prediction of the continuation of the Russian revolution and of the State bankruptcy will be verified.

According to the 'Norddeutsche Allgemeine Zeitung' the contents of my book are not disturbing. How could German capitalists be disturbed by the wild, confused assertions of a book! I decline most emphatically to accept the opinion of the 'Norddeutsche Allgemeine Zeitung,' and I declare hereby that the contents of my book ought most seriously to disturb German capitalists holding Russian State securities.

Considering the unflattering opinion of my book expressed by the 'Norddeutsche Allgemeine Zeitung,' I have been all the more pleased with the opinion of our most eminent historian, Professor Hans Delbrück, who referred to my book in the October number of the 'Preussischen Jahrbücher' as 'a political document that cannot be too highly valued.' In the same manner, the man best acquainted among German political economists with Russian political economy, Professor Carl Ballod, lecturer at Berlin University, and member of the Royal Prussian Statistical Office, has fully acknowledged the entirely scientific character of my book when

reviewing it in Schmoller's 'Jahrbuch für Gesetzgebung' (Part IV., 1905). Not one of the assumptions made in my book has been disproved by expert critics.

Therefore I am well content to leave to future historians the task of judging between me and the 'Norddeutsche Allgemeine Zeitung.'

# PREFACE

TO

## THE ENGLISH EDITION

SINCE the appearance of the German edition of the present volume in March last, two important events have taken place in Russia. In April the Russian Government once more succeeded in raising a gigantic loan. This loan of two and a quarter milliard francs (90,000,000*l.*) is the largest loan ever contracted by a Government on one occasion. Although the international syndicate of bankers will only advance this sum gradually—the last payment to be made in June 1907—the loan in its entirety has not sufficed to cover the Russian Budget deficit for 1906. This important increase of the Russian National Debt will have fatal consequences for the balancing of future Budgets. The Russian National Debt at the end of October 1906 amounts to twenty-four and a third milliard francs, or nineteen and a half milliard marks (975,000,000*l.*). The annual interest on this Debt

amounts to about 823 million marks, or 1,092 million francs (41,150,000*l.*). The exact figures will only appear in the Budget estimate for 1907.

The second event of importance has been the first meeting of the Duma, from May 10 till July 22, 1906. The long and excited debates have resulted in no positive improvement in the condition of Russia. They have, however, made clear to all the world the hopelessness of the social, economical and political condition of the Empire. Nothing could have proved more conclusively the truth of the pessimistic statements in my book than the speeches of the 448 deputies of the Russian people elected in every part of the Empire. The long debates on the agrarian question in particular have established the fact that the position of the peasants cannot be improved for many years to come. The dissolution of the Duma on July 22, 1906, points to the impossibility of peaceable collaboration of Czardom and modern representatives of the people. The striking incompatibilities to which, in Chapter IV of the present volume, I have attributed the Russian catastrophe, have increased instead of decreasing during the year ending on October 27, 1906.

The great fall in Russian values, which I predicted last March in the first preface to the present volume, took place very soon. After the dissolution of the Duma, the Four per cent. Russian



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Government Bonds of the year 1902, which at the end of March 1906 still stood at 84, fell to 68½ per cent. Notwithstanding the energetic intervention of the Russian syndicate, they have never since then risen to 75, while they have repeatedly gone down to 73, 70, and even 69. The apparent quiet throughout the country brought about by the institution of rural courts is only superficial. The continual importation across the various Russian frontiers of arms and ammunition for the revolutionaries shows that a systematic rising on a large scale is contemplated. The proposed re-assembly of the Duma on March 2, 1907, is a sign of anything but improved social relations. In October 1906 the Russian Government declined to acknowledge the constitutional-democratic party which is the most powerful section of the Duma. No fewer than 180 members of the dissolved Duma were proscribed for having signed the manifesto published at Viborg, in Finland, after the dissolution of the Duma. A large number of members of the Duma have been arrested or banished. Hertzenstein, professor of national economy and leader of the Cadets (constitutional-democrats), was murdered after the dissolution of the Duma. In spite of the rural courts, robberies are on the increase in every part of the Russian Empire, as they were in France during the first years of the Revolution. It has become a matter for surprise when a month passes

without mutiny in the army. The mutiny of the bodyguards of the Preobrajensky Regiment in the summer of 1906 shows how far the spirit of insurrection has entered even the aristocratic sections of the army. All these things are signs of the approaching storm. Quiet collaboration of the Government and the Duma which will assemble on March 2, 1907, seems an impossibility. The recent accumulation of points of conflict forebodes hard battles between the Government and the representatives of the people. The elections for the Duma will re-awaken the excitement among the peasantry and recall the fact that under the rule of the Czar their cry for more land has no chance of being heard. Before the spring of 1907 the Russian Empire will be shaken by additional serious troubles. I stand by my prediction that the Four per cent. Russian State Bonds of 1902, which on October 20, 1906, stood at 73·60 at the Berlin Exchange, will within a few months have fallen to 60.

In the new edition of the present volume, which was first published in March 1906, recent events in Russia are dealt with. Particular attention is given to them in the additional chapter, 'A Glance Ahead.'

During the whole month of October of the present year and into November, Russian Government bonds, railway shares, and nearly all industrial

and bank shares, have almost uninterruptedly risen in value at all the exchanges. The Russian Government bonds, which in September 1906 had fallen to 70, rose till on November 2 they stood at 78 at the Berlin Exchange. This upward tendency of Russian values has been extraordinarily rapid. The primary cause was the energetic intervention of the Russian syndicate, but the movement was carried on by buyers of the ordinary capitalist class. These buyers are under the mistaken impression that the revolution has come to an end, and that Russian State finances are beginning to right themselves. Next spring, however, it will be found at the Paris, Berlin, and London exchanges that the conflict between the Government of the Czar and the new Duma not only continues, but becomes more pointed. In the autumn of 1906 the Russian Government has fairly well succeeded in maintaining order throughout the Empire. But no improvement whatever has been made in the Russian village, and the discontent of the land-hungry peasant is still growing.

If this rise in prices should induce the international *haute finance* to grant another milliard loan to the Russian Government, the nations taking shares in this loan will find that they have to pay the piper. Even without the continuance of the revolution, Russia is faced with State bankruptcy. The continuance of the revolution, however, stands

in close relationship to the neglect of the Russian peasants and their farming ; to the gagging of the intellectual liberty of the people ; to the growth of the National Debt and to the increase of financial difficulties. The thousands of capitalists in France, Germany, and England, who have been beguiled by the rise of prices during October 1906 into further investments in Russian stock, will bitterly repent this venture within the next twelvemonth.

The Russian Courts of Justice can in a few hours despatch revolutionaries by the dozen into the next world, but they cannot cause Russian soil to yield larger crops, nor can they satisfy the claims of the peasants. That nation, therefore, is well advised which steadily declines to heed the incessant attempts of the Russian Government to raise another gigantic loan.

RUDOLF MARTIN.

BERLIN, *November 1906.*

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# THE FUTURE OF RUSSIA

## CHAPTER I

### THE WORLD'S MOST IMPORTANT QUESTION

NEVER before has a single question been of such enormous importance to all parts of the globe as the future development of Russia is to-day. In the past the incompleteness of communication caused even the greatest event to be of moment only to certain parts of the world. The improvement of means of communication, especially during recent decades, has drawn the destinies of individual nations and countries more closely together.

The Russian catastrophe, as we call the defeat of Russia in the Far East, the outbreak of the revolution on October 27, 1905, and the approaching State bankruptcy, is an event of far-reaching importance, not only to the Russian Empire, but to all Europe and Asia as well.

The ascent of Japan means the unfettering of the yellow race and the revival of Asia. It concerns

the United States of America as well as the great European Powers, and perhaps the future of Australia.

The rise of Japan and the Russian catastrophe influence the home and foreign policy of all the great Powers. A Russia ransacked by a revolution no longer represents a menace to India, Persia and Constantinople. But the progress of the revolution is a serious menace to the milliards lent to the Russian State by French and German capitalists. The course of events in Russia is, therefore, watched by German and French capitalists with great anxiety, and in Germany the fear is gaining ground that the two and a half milliard marks of Russian State securities held in Germany even now, after a large amount have been got rid of, may be lost.

But while the danger of a future loss of a considerable part of the German national wealth is very great, it is a certain fact that the Russo-French alliance, in face of Russia's weakness, will not in future endanger the prosperity of Germany.

The Russian revolution means the reappearance upon the scene of the Polish question. The manner in which things will shape themselves in Poland will have a far-reaching influence on things in the German Empire and in Austria-Hungary. The state of affairs in the Baltic provinces will also in the course of time cause excitement in Europe.

The great revolution in Russia, which came to a



## THE WORLD'S MOST IMPORTANT QUESTION 3

head on October 27, 1905, after many years of preparation, is a political, national, social and socialist revolution. It is the first revolution in the history of the world the leadership of which is chiefly in the hands of a social-democrat organisation, while the neighbouring countries, Germany and Austria-Hungary, have for decades past been steeped more and more deeply in the spirit of international social-democracy.

At times when great changes are in progress in the history of the world that nation will in the long run suffer least and profit most which first clearly realises the causes and effects of such changes.

Is Germany to pay the piper? When touching upon this question in my book 'The Future of Russia and Japan,' which appeared on August 22, 1905, I attempted to save Germany, as far as possible, from the loss which the great Russian catastrophe must occasion.

The darkness of the future can only be penetrated when those factors are constantly and clearly realised on which the future development of Russia is, and must be, mainly dependent.

The future of Russia is closely connected with the future of Russian agriculture, by which eighty-seven per cent. of the Russian people make their living. Those who are not acquainted with the facts, scientifically proved, concerning Russian agriculture and the Russian peasant population, can

form no idea of the duration and the importance of the Russian revolution, and of the danger of Russian State bankruptcy.

The development of Russian agriculture and the education of the Russian peasant population during the next decades is the most important problem in connection with the distribution of political, military, economical and financial power all the world over.

## CHAPTER II

### RUSSIA'S FUTURE LIES IN THE VILLAGE

THE future of Russia lies in the village. Those who do not know the Russian village should form no opinion as to the progress of the present revolution or the destiny of the Russian national debt. Of the 142 million inhabitants of the Russian Empire about 115 million make their living by farming.<sup>1</sup> If the Russian peasant is a contented, well-fed, capable, zealous farmer, who knows how to extract from decade to decade an increasing profit from the soil, then a brilliant future awaits Russia. If the fourteen million farmsteads of the Russian Empire<sup>2</sup> are on the whole in first-rate order, there is no State in the world as well fortified against State bankruptcy as Russia. The soil of Central and South Russia, especially in the famous Black Earth district, is far more fertile than the soil of the German Empire.

<sup>1</sup> Alexander Novikoff, *Das russische Dorf*. From the collected essays by Josef Melnik, *Russen über Russland*, Frankfurt a. M. 1906, p. 54.

<sup>2</sup> There are 12,000,000 peasants in European Russia, 2,000,000 in Poland. Russia in Asia is not included. See Esemenoff, *Landwirtschaft und Getreidehandel*, Munich, 1901.

Excellent soil and excellent farming form the safest foundations of a great Power. If these exist in Russia, then all the claims made by the Russian State are well founded, and will before long be permanently admitted. If these exist in Russia, then the creditors of the Russian State may rest in peace, for the 'little father' at the head of his peasants will triumph over the revolution, and make all intriguing permanently impossible.

Now let us go into the Russian village. Let us visit a village in the fertile Black Earth district. Our guide is an expert in Russian agriculture. He has promised to show us a normal village, typical of Russian conditions. In a few hours he can tell and show us a great deal. We follow him with exceptional interest. On the result of our personal impression depends not only the future of Russia, but also, to some extent, that of Germany. In case the Russian village is on the same level with the German or the French village, it will be well that we Germans should begin to learn Russian without delay. In that case Alsace-Lorraine will become French once more. In that case the zenith of the power of the German Empire has perhaps already been passed. Instead of the crescent on the church of St. Sophia in Constantinople the cross will be set up; Russia will give England notice to quit in India, and the Russian protectorate in China will close China to all foreign trade. But we have our

## RUSSIA'S FUTURE LIES IN THE VILLAGE 7

doubts as to the excellence of the Russian village. If the Russian farmer is like the German or the French, the Russian defeat in the Far East and the revolutionary movement in the plains, in so many parts of the Russian Empire are absolutely incomprehensible.

Our journey is to a village in the Russian Black Earth district, which lies at a distance of fifty kilometres (30 miles) from the nearest railway station. The roads are in a horrible condition, worse than in the furthest corner of Germany. Although we are on the fertile soil of the Black Earth, our road leads mile upon mile through places where the ground has lain fallow for from five to ten years. Next, for mile upon mile, there is rye and nothing but rye. Here, then, farming is managed on the three-field system.<sup>1</sup> The third part of the ground is left fallow. Fodder-crops are almost unknown, and the cattle are poor. This is the method which obtained in France up to the Revolution. This method is inseparable from failure of crops and famine.

As only a third of the ground is cultivated, the villages are bound to lie far apart. The one which is the object of our journey gives an impression of dulness. The cottages are poor huts of thin wood, with thatched roofs, and without ornamentation.

<sup>1</sup> D. M. Wallace, *Russia* (German edition), vol. i. p. 107, Würzburg, 1906.

Wood is dear, and there are no stones. The out-buildings are hurdle-work, roofed with thatch. The wood and the thatch have turned black. The new white huts owe their existence to the most recent conflagration. The whole district is treeless.

Before we enter the first farmstead we make inquiries as to the fields belonging to it. Divided into small patches, they lie so far apart from one another that it would take hours to visit them. Yet only ten dessyatin (25 acres) belong to the farmstead. This parcelling out of the ground is due to the three-field system and to the so-called Communal property. For the farmer does not own the field he cultivates. At the liberation of the serfs in 1861 the land intended for the peasants was made over to the peasant communities (communal property). The Communal Assembly hands the fields singly over to the peasant-farmers, as a rule for twelve years.<sup>1</sup>

Now let us enter one of the peasant huts.<sup>2</sup> The atmosphere which meets us from the interior is almost unbearable. It is difficult to believe that human beings can exist in it. The interior of the hut consists of one room, measuring from four to five square yards. As a rule there is an earthen floor, and the ceiling is so low that a tall man cannot stand straight in it. The tiny windows admit only a faint light. One-fourth of this room

<sup>1</sup> Alexander Novikoff, *Das Dorf*, p. 93.

<sup>2</sup> Alexander Novikoff; D. M. Wallace.

## RUSSIA'S FUTURE LIES IN THE VILLAGE 9

is taken up with a large Russian stove, which is heated with wood, straw, and dung. The genuine Russian stove has no stove-pipe; hence the room is filled with smoke. During the long winter the entire family live in this one room, which also harbours the calf, the lamb, and a pig. At night they all sleep together on the forms or on the floor: men, women, old people, children, and animals. Soap is unknown. The want of cleanliness is satisfied once a week by means of a steam-bath. Every Saturday the whole family take a bath in the same stove. Each member undresses in turn, and crawls into the hot oven, in which it is possible to sit in a crouching position. Having thus been steamed, the people go clean to church on the day of rest.

The food of the Russian peasant is regulated by the permanent famine. Meat is only eaten on important Saints' days—say twenty or thirty times a year; sour black bread, potatoes, and cucumbers in summer and autumn, that is all, and there is never any change, and not always sufficient food. As a rule the peasant drinks water; on Saints' days drams.<sup>1</sup>

Consequent upon the terrible ignorance, the miserable housing, the bad food, and the uncleanness of the peasant-farmer, the Russian village is the ideal soil for infectious diseases. There are vast districts where there is not a single medical man,

<sup>1</sup> Alexander Novikoff.

and even when one is within reach the patient prefers to be treated by witchcraft.

The village streets hardly deserve their name. The primitive farm-waggon often sticks in mud up to the axle. In winter there is hardly a trace of the street. The roads for wheeled traffic are so narrow that only one-horse vehicles can be used. As a rule the distance between two villages is 10 kilometres (6 miles). During the long winter intercourse between the villages, especially in the northern parts, ceases almost entirely. There are still districts in Central Russia where no regular delivery of letters through the post is undertaken at any time. It often happens that in an entire village there is not a single person who can read or write.

The appearance of every member of the peasant family, as well as that of the entire village, shows clearly that the peasants have been serfs up to 1861. To-day they are free, but their view of things and their manner of living have not altered much for the last thousand years. As a rule, their manner of living is quite primitive. The material, of which the peasant woman makes clothing and household linen, is spun, woven, and bleached from hemp grown at home. The woollen garments worn by the family have their origin on the backs of the sheep, the peasant woman having spun and woven the wool.

By reason of his poverty and ignorance the



## RUSSIA'S FUTURE LIES IN THE VILLAGE 11

peasant of to-day in every part of Russia proper is still dependent on the landed proprietor, who, as a rule, is a member of the nobility.<sup>1</sup>

The peasant looks upon the landed proprietor as upon his landlord of the days of serfdom; he respects, but he also hates, him. The peasant-farmer's economical interests are opposed to the interests of the landowner. At the liberation of the serfs the peasant's land was separated from that of the landed proprietor. The latter kept the best land, and the worst tracts were made over to the peasant community. Since the population has doubled within the last forty-five years, the share of land allotted to each peasant by the peasant community becomes smaller and smaller. The yield of the land has, meanwhile, remained the same. In consequence of the ignorance and poverty of the peasant, farming has not become more scientific, and therefore not more profitable. The old three-field method is pursued with the most primitive tools. The soil is not only not improved, but it is gradually being exhausted. In the face of this, is it surprising that the peasant has only one wish and one hope—namely, to obtain more land? If he were an educated being he would wish for more capital, in order to cause the soil by scientific management to yield three times as much as is the case at present. But since he is uneducated and poor, he and his

<sup>1</sup> Alexander Novikoff; D. M. Wallace.

numerous offspring, themselves anxious to set up farming, can only be helped by the landowner or the State making additional grants of land to the peasant community.

In this, the largest country in the world, the most frequent cry, which causes the empire to tremble to its foundation, is that for 'more land.' The civilisation of Eastern Europe shivers at this war-cry. And with this war-cry the Russian peasant revolution will become the most terrible of all peasant wars and Jacqueries.

This peasant, entirely uneducated, ignorant of reading and writing, superstitious, and under the sinister ban of the Greek Church, is year by year made more restive by social-democrat agitators from the large towns. They tell him that the peasant has a right to the ground held by the landed proprietor. They say to him it is the will of the Czar that he should have twice his present share of land. This manner of utilising the peasants' ignorance has already led to peasant risings in every part of the Empire.<sup>1</sup> In order to make a living by his primitive farming the peasant needs more land. Is it therefore surprising if he believes what he hopes for, when educated townsmen impress it upon him? The French peasant of 1789 was hardly better educated than the Russian peasant of to-day. As to-day in Russia, so at that time in France, con-

<sup>1</sup> Alexander Novikoff, p. 88.

## RUSSIA'S FUTURE LIES IN THE VILLAGE 13

siderable peasant risings had taken place here and there before the beginning of the Revolution.

The saddest thing in connection with a visit to a Russian village is that there is no sign anywhere of the dawn of a better future. Carefully compiled figures have shown that a capital of at least 100 milliard marks (5,000,000,000*l.*) would be required for Russian agriculture to yield as much as German farming per hectare (2½ acres), if conducted on the same scientific basis.<sup>1</sup> Not even a century hence will such capital be available. Only gradually, and in the course of many generations, the education and working power of the Russian peasant can be raised to a higher level; only in the course of decades, and through rising grain prices in the markets of the world, can the peasant save the money for more scientific farming.

A century ago the Russian nobles sold their property, together with the serfs belonging to it. At that time the development of human beings was retarded because they were tied to the soil. To-day the development of the soil is retarded because it is tied to human beings. What treasures could not the fertile soil of the Black Earth be made to yield if it were farmed by Germans or Americans instead of by Russians!

As we take leave of the Russian village, our only

<sup>1</sup> Rudolf Martin, *Die Zukunft Russlands und Japan*; Carl Heymann's Verlag, Berlin, 1906, p. 57.

wonder is how the Czar could think of gaining a victory over the Japanese with this peasant population! And we fail to grasp how this peasant population is to raise the means of paying the interest on the National Debt of  $19\frac{1}{2}$  milliard marks (975,000,000*l.*), and how this peasant population is to form a bulwark against the danger of a revolution.

Since at least ten million farmsteads out of the twelve million of Russia proper (apart from Poland) are still managed under these conditions of absolute ignorance, and have not yet reached the level of civilisation of the German farmer in 1800, it is not possible that the near future of Russia should be a brilliant one. The future of Russia lies in the village, but in a village sunk in filth, ignorance, superstition, and poverty.

## CHAPTER III

### THE RUSSIAN AND THE FRENCH PEASANT BEFORE THE REVOLUTION

OF the 142 million inhabitants of the Russian Empire some 115 million make a living by farming.<sup>1</sup> Of twenty-six million inhabitants of France before the Revolution in 1789 some twenty-one million existed by farming.<sup>2</sup> Both countries entered upon the great revolution as agrarian States, only one-fifth of which did not depend on farming for a living.

Even those who know nothing about farming will come to the conclusion that French farming in 1789 and Russian farming in 1905 were technically and practically remiss.

In both countries the population, industries, and general activity in towns had enormously increased during recent decades. In both countries agriculture had in some districts been considerably improved, both technically and practically. At the same time

<sup>1</sup> Alexander Novikoff, *Das Dorf*, p. 54.

<sup>2</sup> H. von Sybel, *Geschichte der Französischen Revolution, 1789-1795*, 3. Auflage, Bd. i. p. 19; Adalbert Wahl, *Vorgeschichte der Französischen Revolution*, i. Band, Tübingen, 1906, p. 95.

the practical working of the estates of the nobility and the middle classes has on the whole been notably improved.<sup>1</sup>

It goes without saying that proofs of a general rise in the prosperity of large agricultural districts can be easily furnished in pre-revolutionary France and Russia. The increase in the population and the rise of industries were bound to benefit agriculture to some extent.

In both States, however, agricultural progress was insufficient, and in no wise in keeping with the growth of the population. The entire agricultural yield barely sufficed to keep the population alive, even in years of unusually large crops. But with primitive means and faulty methods of farming, the inclemency of the weather becomes very serious, and failure of crops is more frequent and more complete. For these reasons there were districts in both countries before the revolution where there was almost always a famine.

Considering the backwardness of theoretical and practical farming in both countries, France as well as Russia before the revolution were far too densely populated. In 1789 France had twenty-six million inhabitants, that is to say, fifty-two to the square kilometre (roughly, 144 to the square mile), while in Prussia there were 6,048,000 inhabitants, or

<sup>1</sup> Gerhard von Schulze-Gävernitz, *Volkswirtschaftliche Studien aus Russland*. Leipzig, 1899, p. 346.

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thirty-one inhabitants to the square kilometre.<sup>1</sup> In France the population had risen from eighteen millions in 1715 to twenty-two millions in 1760, and to twenty-six millions in 1789.<sup>2</sup>

The 'Commission of Inquiry as to the Causes of the Impoverishment of the Centre,' instituted by the Russian Government, stated that in forty governmental districts in European Russia the entire country population since the liberation of the serfs in 1861 had risen from fifty-two millions to eighty-six and a half millions. Meanwhile the land allotted to the peasants had not been added to. While in 1860 as much as 4·8 hectares (nearly twelve acres) fell to the share of each male peasant, only 2·6 hectares (about seven acres) were his due in 1900. Fortunately a section of the peasant community had purchased land to the extent of nearly twelve million hectares (thirty million acres) from the noble landlords. About 120 million hectares (300 million acres) had been made over to the peasants at their liberation, so that now they owned rather over 132 million hectares (330 million acres).<sup>3</sup>

Nothing but extensive improvements in practical

<sup>1</sup> Otto Behre, *Deutschland und Frankreich verglichen auf bevölkerungs statistischem Gebiete*, in den Preuss. Jahrbüchern, 123. Bd. Jan. 1906, Heft 1, p. 81.

<sup>2</sup> Adalbert Wahl, *Vorgeschichte der Französischen Revolution*, 1. Bd. p. 95.

<sup>3</sup> Alexander Korniloff, *Die Bauernfrage*, in dem Sammelwerk über Russland. Herausgegeben von J. Melnik, Frankfurt a. M. 1906, p. 404. Geoffrey Drage, *Russian Affairs*. London, 1904, p. 86.

agriculture could have counterbalanced the large increase in the population in France and Russia before the revolution. But both the French and the Russian peasant were without education, capital, and adequate laws. In both countries the distances separating his plots, and the laws relating to agriculture, prevented the individual thrifty farmer from venturing on more scientific farming.<sup>1</sup>

In France the feudal taxes by which farmlands were weighted were an additional obstacle to improved farming. In Russia the greatest obstacle is the communal ownership or ground communism, that is to say, the fact that the peasant community and not individual peasants are the owners of the ground.

In the Baltic Provinces, where communal ownership does not exist, the Lithuanian farmer owns his farm. It is true the Lithuanian and Esthonian farmers are Protestants, and have had a better education than the mujik in Russia. Their superior training has made it more easy for them to profit by the farming of German landed proprietors in the Baltic Provinces. On the two million farms in Poland farming is also managed on more scientific lines. In view of the denser population of Poland, where seventy-five inhabitants go to the square kilometre (208 to the square mile) it is not surprising

<sup>1</sup> Fritz Wolters' *Studien über Agrarverhältnisse und Agrarprobleme in Frankreich von 1700-1790*, p. 233. A. Korniloff, *Die Bauernfrage*, a.a.O. p. 413.



that the farming is better. In pre-revolutionary France there were also districts where artificial fodder crops were raised, and farming was thus brought to a higher level. But even in the vicinity of Paris, where the Royal Agricultural Society did all it could for the spread of improved farming, the idea of the system of a regular change of crops, which had been highly successful in England and Flanders, had not yet been approached.<sup>1</sup>

When the population increases too rapidly in a country of which four-fifths of the inhabitants live by farming, while the productivity of the land does not increase, the result is a very grave situation.

In both pre-revolutionary France and Russia persons of insight have during the last decades before the revolution clearly foreseen the danger, and advocated more scientific farm management. The increase in the price of agricultural products, by which France profited since 1760, and Russia since 1860, have again and again acted as a stimulant to improved farming. 'An improved system of agriculture is only possible when there is an increase in the price of farm-products,' Wilhelm Roscher taught years ago.<sup>2</sup> In both countries the Governments as well as agricultural societies have done a great deal to raise agriculture. King Louis XVI. was deeply interested in potato culture. On

<sup>1</sup> F. Wolters' *Studien über Agrarzustände*, &c. p. 281.

<sup>2</sup> Roscher, *Nationalökonomik des Ackerbaues* (1888), p. 110.

August 25, 1781, proud Queen Marie Antoinette and the whole court wore potato-blossoms as ornaments. From that day forth the potato had daily to grace the royal table.<sup>1</sup>

The conference of the Zemstvo-constitutionalists, held at Moscow in April 1905, arrived at the conclusion that the agrarian question in Russia could not be solved by measures against the scarcity of land, but that special attention must be given to the introduction of more scientific methods of farming.<sup>2</sup>

The present situation in Russia is far more serious than was the case in pre-revolutionary France. French farming was at least as good as the farming of any other country on the European continent. It was only inferior to English farming. It is true French soil ought to have yielded larger crops than German soil, since the population in France was so much denser. At present the entire yield of French agriculture is probably three times as large as it was in 1789.<sup>3</sup> Yet the population has only increased from 52 to 74 heads per square kilometre. In addition, the working power of the individual engaged in industry, trade, or commerce, is not three times, but probably ten times what it was.

<sup>1</sup> F. Wolters, p. 230.

<sup>2</sup> A. Korniloff, *Die Bauernfrage*, p. 407.

<sup>3</sup> Rudolf Martin, *Die Zukunft Russlands und Japans*, C. Heymanns Verlag, Berlin, 1905, p. 57; H. Taine, *France before the Revolution* (German edition), p. 392.

Meanwhile, the productivity of 131 million hectares (over 327 million acres) of agricultural land in Russia has not increased per hectare during the last half century. Poland and Finland are not included in these figures.<sup>1</sup> Against the few improvements which have here and there been made in Russia proper must be set the increasing exhaustion of the soil. After the French Revolution had freed the farmers from all their burdens it took the French farmer eighty years to introduce the modern system of rotation of crops. In order to turn at once into a capable and contented farmer the Russian peasant would have to go through this development in the course of a single day. Since, however, he is a Slav by race, and a Greek by religion, he will only in the course of from 100 to 150 years become possessed of sufficient capital and education to cause the ground to yield, by means of scientific farming, crops three times their present value. In German agriculture it has also taken seventy years to accomplish this transition, although, even in 1800, popular education was far more advanced than it is in the Russia of to-day.

While in France the price of grain rose without interruption till the beginning of the Revolution, prices in Russian export towns have fallen for the last twenty years. They are compelled to conform to the prices fixed by the markets of the world. A better

<sup>1</sup> Geoffrey Drage, *Russian Affairs*, p. 85.

future for Russian agriculture, which depends on grain as its chief article of export, can only be hoped for when, in perhaps ten years' time, prices begin to rise in the markets of the world. The continued decrease during the last few years in the exportation of grain from the United States of America offers excellent prospects of prosperity to all agrarian states. Unfortunately, Russia will not be able to profit to any large extent by this fortunate turn of affairs, because the soil best suited to farming is mostly in the hands of a poor and ignorant peasant population to whom foreign capital for working expenses cannot be entrusted.

In pre-revolutionary France and Russia the misery of the peasant has been considerably increased by State taxation. Both direct and indirect taxes have added to the burden of the French and the Russian peasant's life.<sup>1</sup> Taine's opinion that the chief reason for the wretchedness of the French peasant farmer was the method of taxation, has been confirmed in the later writings of Adalbert Wahl and Fritz Wolters. The French peasant farmer had to pay so large a share of his raw material to the landlord, the Church and the State, that it was impossible for him to prosper. The government taxes continued to increase till the beginning of the Revolution. Even the burden of

<sup>1</sup> Numerous sources are given in my book *Die Zukunft Russlands und Japans*, p. 152 ff.

direct taxation in pre-revolutionary France fell mainly on the peasant farmer, while not only the nobility and the Church, but even industrials, and men living on their income, managed to evade taxation more and more.<sup>1</sup> The most oppressive of the indirect taxes in France was the salt tax. According to Calonne, the Minister of Finance, the salt tax gave so strong an impetus to smuggling, that on account of it every year over 500 fathers of families were sentenced to the galleys or to prison, and that over 5,000 confiscations had to be made.<sup>2</sup>

According to a statement by Necker, made in 1784, arrests of 2,300 men, 1,800 women and 6,600 children were annually made for smuggling salt, and 1,100 horses and 50 vehicles were impounded for the same reason. A fourth of all the criminals sent to the galleys were sentenced, according to Necker, for smuggling salt.<sup>3</sup>

In Russia taxation is arranged on a modern system which presses less on the peasant farmer. At the same time the burden of rates and taxes makes seriously against the development of peasant farming. A Russian peasant, farming in accordance with the antiquated three-field system, cannot pay the State and the Commune the taxes paid by the modern German farmer who makes

<sup>1</sup> Adalbert Wahl, *Vorgeschichte der Französischen Revolution*.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

his soil yield three times as much as it yields in Russia. Yet the politics of the Russian Empire are such that the parish, the zemstvo and the government, by means of direct and indirect taxation, make claims on the poor Russian peasant which are far beyond his means. The country district committee of Balashoff, in the Saratov governmental district, calculated, in 1902, that more than half of the earnings of a peasant family of 6·3 individuals, after subtracting the cost of food, insurance, &c. was paid away in direct and indirect taxes. In the memorandum handed in, in 1903, by representatives of the zemstvo to the Moscow Agricultural Committee, it was stated that a peasant family pays per annum, in direct taxes, 22 roubles 50 kopecks (about 2*l.* 10*s.*), and in indirect taxes (for spirits, tea, sugar, cotton, petroleum, tobacco and matches) 44 roubles 21 kopecks (about 5*l.*).<sup>1</sup> Thus it will be seen that in Russia more is paid by indirect than by direct taxation.

The taxes and claims of all sorts made on the French peasant were more arbitrary, unfair, and cruel, being the result of an imperfect system of finance. In all probability the taxes were also heavier. According to H. Taine, 53 francs out of every 100 francs earned by the peasant were swallowed up by direct taxation.<sup>2</sup> At the same time, the general

<sup>1</sup> A. Korniloff, *Die Bauernfrage*, p. 408.

<sup>2</sup> H. Taine, *France before the Revolution* (German edition), p. 404. Similar statements are made by A. Wahl.

conditions of agriculture in France, for some decades before the Revolution, were much more favourable than they are in the Russia of the present day. Historians of pre-revolutionary Russia are agreed that the burden of taxation exerts an unfavourable influence on the peasant farmer's system of work. Both in France and in Russia the peasant has often been obliged to sell his cattle in order to pay his taxes. It has happened not unfrequently in France and in Russia that plots of land remained uncultivated because nobody would pay the taxes on them. In both countries the burden of taxation, resting on the peasant, has been the result of the large National Debt. Thus in both countries the State has largely been responsible for the aggravation of the difficult position into which the rural population had drifted on account of its increase.

The conditions of the French and the Russian revolutions are identical. The increase in the population is so great that the productiveness of the nation cannot keep pace with its growth. These opposing conditions are the cause of any number of further complications.

## CHAPTER IV

## THE CAUSES OF THE RUSSIAN CATASTROPHE.

## THE COUNTRY AND THE PEOPLE

WE shall only be able to understand Russia's defeat in Asia, the breakdown of Russian finance, and the outbreak of the present great revolution—in short, the Russian catastrophe—after considering the country and the people.

The Russians are Slavs, and belong, like the Germans, to the Indo-Germanic race. In colonising they have, however, largely intermarried with Finns and Tartars.<sup>1</sup>

Races differ in value. So far the Russian race has not obtained successes in the history of the world equal to those of the Germans and Anglo-Saxons.

Being entirely separated from the civilisation of Central Europe, the history of Eastern Europe has for thousands of years been developing, as it were, behind a curtain.

<sup>1</sup> Alfred Hettner, *Das europäische Russland*. Leipzig und Berlin, B. G. Teubner 1905, p. 51.



As late as the sixteenth and seventeenth century so little was known of Russia in the west of Europe that special embassies were sent out to explore it. 'It had yet to be discovered,' as Alfred Hettner, professor of geography, puts it.<sup>1</sup>

Vladimir's conversion to Christianity, in 989, became a decisive factor in the history of Russia. Vladimir of Novgorod and Kieff adopted the Greek faith, and married the sister of the Byzantine Emperors Basileios II. and Constantine VIII.

By accepting the Greek faith, Russia entered into the bond of the Greek Church and into the mental attitude of the Greek world, which is diametrically opposed to the Church of Rome and to Western civilisation. From that moment Russia took its part in the history of the Greek Church, and to some extent in that of the Byzantine Empire.

During the three centuries of Tartar dominion (1239-1480) Russia sank to so low a level that it has not yet recovered. The financial robberies of the Tartar princes weighed so heavily upon the country that the people were bound to lose heart for any work.

At an early period a contrast between the Western Slavs—that is to say, the Poles and the Russians—became noticeable, which still exists, and which will make itself widely felt in the future. About the year 966, Mesko, a Polish prince, went

<sup>1</sup> Alfred Hettner, p. 45.

over to the Church of Rome. This was the turning-point in the life of the Polish tribes. Only under the guidance of the Church of Rome did Poland develop into a mighty kingdom.<sup>1</sup>

Agriculture has only quite recently been introduced into Russia, climatic conditions in the north of the country not being favourable to it. As recently as 1690 the Don Cossacks decreed that he who ploughed should be plundered and beaten to death. Not till the nineteenth century did Russia become an agricultural country.<sup>2</sup>

The wars of centuries were bound to exhaust Russia, and to leave the country behind in the advance of civilisation. A certain density of population is necessary for the proper development of a country. But the Russian people are lost in the immense country. In the entire Russian Empire only 5.9 inhabitants go to the square kilometre (16 to the square mile), and in Russia in Europe 19.4 (54), as against 75 in Poland (208), and 104.2 (290) in Germany.

The Russian people are, and always have been, poor because they were ignorant. The chief cause of the present catastrophe lies in Russia's hostile attitude towards education.

With 142 million inhabitants this Russian

<sup>1</sup> Professor Wladimir Milkowicz, *Osteuropa in der Weltgeschichte*, herausgegeben von H. F. Helmolt, 5. Band, p. 461, Leipzig und Wien, 1905.

<sup>2</sup> Professor Dr. Wladimir Milkowicz, p. 591.

Empire has only ten universities and 300 grammar schools, against the twenty-one universities and 460 grammar schools of the German Empire, with sixty million inhabitants. It is, moreover, a well-known fact that, generally speaking, a Russian university or grammar school cannot stand comparison with a German institution of the same kind. Peter the Great's endeavour to introduce the civilisation of Western Europe has not been continued without interruptions. During the last thirty years Russification, as practised in Finland, the Baltic Provinces, and Poland, also in Ruthania and on all Germans, has caused the greatest authorities to assign to Russia a far lower level of civilisation than was the case in earlier times. The intolerance of the Greek Church towards any other faith, and its hostile attitude towards education, have prevented the further advance of popular education and of a higher degree of culture.

The Russian Empire, as it has been constituted since the reign of Peter the Great, has always suffered from the fact that the inhabitants of its border provinces were of foreign nationality. These foreigners on the edge of Russia belonged to a higher and wider civilisation. The Germans in the Baltic Provinces, the Finns, who had been civilised under Swedish influence, the Poles, the Ruthenians, and, indeed, even the Tartars and Armenians, were all more or less superior to the Russians.

Into the interior of Russia civilisation also entered, mostly through foreigners, especially through Germans and Jews. These foreigners at the edge and in the interior remained aloof from Russians because of religious differences.

The average Russian peasant has even to the present moment profited but little by the culture of Western Europe. The instincts of the masses in rural districts are not friendly towards Western Europeans. Slavonic notions together with the Greek Church caused the imperfectly civilised Russian to imagine himself superior to the heterodox German. The uninterrupted extension towards the east and the south, and the continual subjection of wild tribes led him to the mistaken idea that he was a fit conqueror of the universe. It did not occur to him that only by a geographical chance was the half of Asia available to the Russians for colonising purposes. The endless plain, with its barbaric tribes in the east and the south-east, allured the Russians to a further and ever further extension of their realm. As long as in their progress towards the east they came only upon tribes of a low civilisation they could, by incessant warfare, continue their victorious advance for centuries.

A low level of civilisation, Asiatic traditions, the struggle with barbarians, made absolutism the necessary principle of government. The conditions of the ground, the geographical position, and this

absolutism, which used the Orthodox Greek Church to press even religious fanaticism into its service, led to the dream of a conquered universe.

The first checks which history put on the triumphal march of Russia were called Mukden and Tsushima; and the first obstacle it placed before Russian absolutism was the manifesto of October 30, 1905, which the revolution had compelled the Czar to issue. The Russo-Japanese War, together with the Russian revolution, form the great turning-point in the history of the Russian people.

#### THE DREAM OF A WORLD EMPIRE

When Peter the Great, as a youth, looked for the first time at Archangel upon the open sea he was beside himself with enthusiasm. English and Dutch vessels came to this place after long voyages during the few months when the sea was free of ice. Peter learnt shipbuilding, but the Russian people have not learnt it to this day. Peter studied navigation, which does not yet interest the Russian people. Peter had intercourse with seafaring men, and planned a journey to Western Europe in order to learn everything thoroughly. But first he conquered the Turkish Azov, in order to build a fleet on the Sea of Azov.

After the victory of Poltava, on July 8, 1709, over Charles XII. of Sweden, Peter gradually suc-

ceeded in conquering the Baltic coast. Since 1703 he had been building a fortress and a new capital on the banks of the Neva. It was to be called Petersburg, in order that Russia might never again be driven away from the sea, and also that it should not forget him who had led the country back to the sea-shore.<sup>1</sup>

The enormous efforts made by this greatest Russian of all times to secure the dominion of the ocean by means of the Baltic and the Black Sea have not been very successful. Two centuries have passed, but neither the Baltic nor the Black Sea fleets of the Russians are of any importance on the ocean. The miserable Black Sea fleet is in itself the culminating point of weakness, and has indeed become imprisoned in the Black Sea by the Peace of Paris, in 1856, and through the impotence of Russia the Baltic fleet came to a more ignominious end than has ever been the fate of any fleet in the history of the world, when it was destroyed in 1905 off Tsushima.

Peter the Great has to this day remained the only competent shipbuilder and admiral in Russia since 1696. The Baltic wharf at Cronstadt is not a structure worthy to have been built so long after the carpenter of Zaardam, and the naval officers under Rojestvensky and Nebogatoff had not Peter's love of the sea.

<sup>1</sup> Professor D. W. Milkowicz, p. 560.

Almost all Peter's laborious reforms were over-exertions, no doubt inspired by the anxiety that anything he might not be able to complete would not be continued after his death. Peter the Great overlooked the innate perseverance of the Slavs and the Greek Church. Will Russia ever become a real sea-power? Is it quite certain that Russia will retain the ports of the Baltic, or even maintain its dominion on the *mare clausum* of the Black Sea?

And on land, as on the sea, Peter the Great's dream of a world empire has been checked sooner than the world had hitherto expected.

The foundations of national life, elementary education, and agriculture have in Russia to this day been inexcusably neglected; but the attempt has been made to cause the political and military superstructure to appear increasingly magnificent. The striving for power abroad has been unceasing. The Slav dreamers have pursued the dream of a world-empire through the centuries, till the destruction of the army at Mukden, and that of political power at home in the blazing fire of revolution, put a sudden end to these immoral aspirations.

The Russian nation has shown less appreciation of Peter's dream of sea-power than of his dream of territorial power. Peter's dream of a march to Zarigrad (the Slav name for Constantinople) was the more acceptable to the Russians as their religion

had come to them from Constantinople. Peter was going to free all the Christians of the East—Servians, Montenegrins, Bulgarians, Greeks, and Wallachs—from the Turkish yoke. He counted on a general rising of the Christians, and his miscalculation in this respect nearly cost him his dynasty when, in 1711 at Hush, on the Pruth, he was surrounded by 200,000 Turks and Tartars.

The foundation of Peter's dreams was the iron will with which he attempted to force West European civilisation upon his people. The ambitions have continued and increased; but in the open country among the peasant population there has been little progress in education.

In October 1900 Prince Ukhtomsky, in accordance with the command of Czar Nicholas II., whom he had accompanied on his tour round the world as heir apparent, published the second volume of his account of the journey. In this volume we read: 'The wings of the Russian eagle are spread too far over Asia to leave the slightest doubt as to their presence. Our organic connection with all these countries is the warrant of our future, when the term "Asiatic Russia" will signify the whole of Asia.'

Geoffrey Drage, the English M.P.,<sup>1</sup> is of opinion that this remarkable utterance means neither more nor less than a notice to England to quit India. It

<sup>1</sup> Geoffrey Drage, *Russian Affairs*, London, 1904, p. 68.



is a curious fact that Prince Ukhtomsky believes in a peaceable, organic amalgamation of Russia and Asia. 'The Russians,' he says, 'are Orientals at heart, with an Oriental faith in one divinely instituted authority. As soon as Russia and the East come into touch they amalgamate by natural process.' Prince Ukhtomsky is the author of the statement that Manchuria would be easily and peaceably incorporated with the Russian Empire.

Prince Ukhtomsky has expressed similar views to the German writer, Paul Rohrbach. The prince, who is closely acquainted with affairs in Asia, and has accompanied a special mission to Peking, expressed himself to P. Rohrbach in 1898, to the effect that the position of Russia at Port Arthur would cease to be endangered by the Japanese as soon as the rails were laid to Port Arthur. Whenever a few army corps could be set down on the coast of the Pacific the Japanese would be done with. 'Japan,' said Prince Ukhtomsky, 'has been greatly overestimated in Europe since its victory in China. The Japanese have not yet been brought face to face with European armies, and they have spent far more time and strength in China than they ought to have done when dealing with so weak an army and navy, if they really claim military equality with European nations.'<sup>1</sup>

<sup>1</sup> Paul Rohrbach, 'Fürst Ukhtomsky über russische-deutsche Politik,' *Preussische Jahrbücher*, 1898, 92. Band, p. 340.

According to Rohrbach, the prince made no secret of the awkward position in which Russia would find itself in the Far East in case of an Anglo-Japanese co-operation, as long as the Russian Pacific railway is not able to manage the transport of an army corps. But he did not consider that events in the Yellow Sea might ever become a determining factor in the outcome of such an encounter. 'Whenever England tries to force a conflict,' said Prince Ukhtomsky, 'our answer will be the invasion of India. Conditions in India and in the frontier district would positively force us into this course. The road to India is open to us.'<sup>1</sup>

Those who know Russia best are agreed that its uninterrupted extension is closely connected with the idealism and the religion of the Russian people. Anyone who has read the writings of Tolstoy, Turgenieff, and Gorky, must have gained some idea of the idealism of the Russian people.

The orthodox Russian believes that his is the only true Christian faith. He feels that he is called to preserve to the world this faith in all its purity. Some future day he intends to return this faith to a world ruined by its unbelief. But the national Russian is going to do even more and better for humanity. He alone has the foundation of all civilisation in the shape of autocracy. Some future

<sup>1</sup> Paul Rohrbach, 'Fürst Ukhtomsky über russische-deutsche Politik,' *Preussische Jahrbücher*, 1898, 92. Band, p. 342.

day, when the godless foreigners, who to-day have a constitutional government, and to-morrow bow down to anarchy, are rushing to their ruin, then Russia will be called to bring order and authority to the nations of the earth. This manner of reasoning has been set forth in excellent manner by the American author, Albert J. Beveridge,<sup>1</sup> who is thoroughly well acquainted with Russian national life.

The books published shortly before the war by the American, A. J. Beveridge, and the Englishman, Geoffrey Drage, agree that it is the ideal of Russia to extend its rule over the whole of Asia. Both writers have recently travelled all over Russia proper and Russia in Asia Minor. 'According to Russian ideas, China must become Russian, Persia must become Russian, India must become Russian. The Russian Empire is called to raise the Cross once more in Jerusalem. It is the task of Holy Russia to carry the authority of its faith into the countries in which the Saviour of the world lived, thought, and was crucified. This is the Russian idea.' These statements by the American Beveridge, made very shortly before the outbreak of the war, confirm the opinion which every thoughtful observer must have drawn from the course of Russian history.

The son of one of the most eminent Slavophiles said shortly before the outbreak of the war to

<sup>1</sup> A. J. Beveridge, *The Russian Advance*. New York and London, 1904, p. 868.

Beveridge, referring to one of Peter the Great's prophecies: 'India will become Russian as surely as Manchuria.'

At the time when the waves of Pan Slavism rose highest, Russian Pan Slavists dreamt of the fusion with Bohemia and Moravia.<sup>1</sup> The realisation of this dream would have meant nothing less than a clutch on the German Empire in the south.

The dream of Peter the Great as to the conquest of Constantinople has also survived among the Russian people. As Schiemann remarks, the Russians regard the Turks as the heirs of the Tartars under whose yoke the Russian nation languished for so many generations. Sympathy with their co-religionists under Turkish rule has been one of the motives for the wars between Russians and Turks. The orthodox Russian people longs to this day to wrench old Byzantium, the mother city of the Russian Church, from the pagan Turk.

The Russian people are convinced that, by his last will, Peter the Great made over to them the dominion of Turkey in Europe and Asia as a special inheritance.

The extent to which the Russian people are imbued with this idea may be gathered from the remark of the same Prince Ukhtomsky, who has already been quoted, and who stands in close

<sup>1</sup> Alfred Hettner, *Das europäische Russland*, eine Studie zur Geographie der Menschen. Leipzig und Wien, 1905, p. 104.

relation to the present Czar. The prince said, in 1898, to the German author, P. Rohrbach<sup>1</sup>: 'The whole of the Russian nation having for centuries cherished this thought, has now become thoroughly convinced that it may claim an eventual union in some form or other of these districts, which are kindred by nationality and faith with orthodox Russia. It would arouse a storm of resentment and indignation if anyone were to suggest that Russia should cede its claim to the Balkan territory. My personal view differs from this. Asia Minor and the Straits are sufficient for us; we do not require the Balkans, and they are of no further political interest to us. Russia's future lies on the high seas; but the nation cannot yet grasp the idea that the age is past when our aspirations and labours were concentrated on the peninsula in the South of Europe.'

The dream of the possession of Constantinople was the most vivid and frequent of all these dreams. In it sentiment and sense went together. If Russia had been a strong nation, it would have been bound to acquire Constantinople, and thereby an opening into the Mediterranean. Turkey has shown that it is not capable of modernisation. The civilisation of European and Asiatic Turkey can only be undertaken by a great nation with an overflow population which can make its power felt by its ability to reach

<sup>1</sup> Paul Rohrbach, 'Fürst Ukhtomsky über russische-deutsche Politik,' *Preussische Jahrbücher*, 1898, 92. Band, p. 843.

the Bosphorus by land. Russia is such a Power. But is it the Power called by history to undertake this reform? Is the Russian nation internally capable; has it the perseverance and the capital to raise Turkey in Europe and Asia to a higher level of civilisation? The Turks and Armenians are on too high a level to be reformed by semi-Asiatic Russians. It will in all probability take centuries before the Russians have reached a degree of capability which fits them for this historic task. For the present they themselves stand, head and trunk, in sore need of reform.

Are we to wonder at the Russian dreamers? The gigantic tablelands of Eastern Europe and Northern Asia, together with the immensity of the Steppes, have positively invited uninterrupted extension by Russia. Nowhere has there been a check by a great, warlike, superior nation.

But what would be the meaning of Russian rule in Corea, China, India, Persia, and Asia Minor—in fact, over the whole of Asia? Western Europe would dwindle into a small appanage of the Russian continent. Petersburg would become the capital of Europe and Asia. The samples of Russian interference in the affairs of Western Europe, as customary under Czar Alexander I., would become a regular system. Russian intolerance would be felt in every direction. The nations of Western Europe would be compelled to fight for their freedom. The

Greek Church would become the Church universal ; and all Europe would be Russified.

Which was the moment for the Russian nation's awakening to find that all had been only a long dream ? It only came on the day of Tsushima, when the greatest fleet that ever sailed on the high seas suffered the most shameful defeat that has ever befallen a fleet. It only came at the outbreak of the great Russian revolution, on October 27, 1905, when the downfall of military power was followed by the downfall of the sovereign power of the autocrat.

In the history of the world only real capability counts. The nation which is physically and mentally most fit is the nation called to rule supreme. As far as the history of humanity can be traced back it has developed on the same lines, namely, in the direction of higher culture and civilisation. A nation which does not enjoy absolute liberty for its sciences cannot, in a technical age, claim a leading position. And although the Russian nation has advanced to a constitution, it will take centuries to acquire the treasures of knowledge and capabilities possessed by the great nations of Western Europe and by the free Americans.

A world Power can only maintain its position while it is of use to the nations which it has subdued. The more civilisation develops in this world the more the ruling powers are bound to be the bearers of that civilisation.

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England rules in India by reason of its higher culture, which is generously and uninterruptedly extended in India. A semi-Asiatic nation such as Russia can never hope to impose its rule on countries of as high a civilisation as that of India under English rule, or even as that of China. The first condition of possible success would have to be the raising of the Russian people to a higher level of civilisation.

#### THE RESPECT FOR RUSSIA

Russia's conceit has been brought about by the unwarranted respect which all the world has up to the present shown to that country. What was the reason for this respect? Gengis Khan and his successors were unaware of it. In the days when the Russian Grand Dukes were obliged at the beginning of their reign to obtain the confirmation of their title at the court of the Tartar Khans, no respect for Russia was shown anywhere.<sup>1</sup>

The respect for Russia began with Grand Duke Ivan III., of Moscow (1462-1505), the first autocrat of all the Russias. It was he who succeeded in shaking off the Tartar yoke. As it has been to-day, so it was at that time when the courts of Western Europe tried to enter into an alliance with him. The first ambassadors from Venice, Hungary, the Emperor Frederick III. and his son Maximilian,

<sup>1</sup> Professor Wladimir Milkowicz, *Ost-europa in der Weltgeschichte*, pp. 457, 501.



France, Sweden, Denmark, Turkey, and Persia, were sent to Ivan.<sup>1</sup> When, in 1472, Ivan married the Byzantine Princess Sophy (Zoë), the daughter of the Greek despot, Thomas Palæologus, he accepted the Byzantine imperial coat of arms, the two-headed eagle, and even demanded the title *Imperator Russiæ* from Rome.<sup>2</sup> He held that by this marriage he had obtained the right of a claim on Constantinople.<sup>3</sup> As *Imperator Russiæ* he next claimed the Russian parts of Poland.<sup>4</sup>

Under Ivan IV. the Terrible (1533–1584), this respect increased. When his mind began to give way, in 1565, he created a body-guard of 6,000 men (with their wives and children), most of whom were men of a low class. To them he made over the whole of Russia for plunder, except the parts which he declared to be his private property.<sup>5</sup> This band was not unlike the grim horde which to-day, at the instigation of the governors and the police, is devastating Odessa, Kieff, Moscow, St. Petersburg and Warsaw.

The remoteness of Russia was, even at that time, in many countries a reason for seeking Russia's friendship. Through Russia pressure could be

<sup>1</sup> Professor Wladimir Milkowicz, *Ost-europa in der Weltgeschichte*, p. 506.

<sup>2</sup> *Ibid.* pp. 515, 504.

<sup>3</sup> Professor Dr. R. v. Scala, 'Das Griechentum seit Alexander dem Grossen,' in H. F. Helmolt's *Weltgeschichte*. Leipzig und Wien, 1906, 5. Band, p. 142.

<sup>4</sup> W. Milkowicz, p. 515.

<sup>5</sup> *Ibid.* p. 511.

brought to bear upon the kingdoms of Lithuania and Poland, upon Turkey and many other States. The shattered condition of the German Empire made the autocrats of all the Russias even then appear in the light of particularly powerful allies. To the small German princes the power of the almighty Czar seemed very impressive. In the same measure in which the rulers of Russia extended their realm and interfered in the destinies of foreign countries their authority increased abroad.

The West began before long to realise that this nation had an enormous territory at its disposal, over which it could spread and become a danger to all great nations. The danger was bound to grow as these semi-Asiatics adopted the civilisation of Western Europe. Among the first to grasp these facts was the Emperor Maximilian I. He wrote to the German Master of Orders: 'The greatness of Russia is a danger.'<sup>1</sup> When, in the reign of Ivan the Terrible, a German, Hans Slitte, of Goslar, who had come to Moscow in 1547, invited 123 German scholars, artists, printers and artisans to go and live in Russia, Hasenkamp, the master tradesman of the German border in Livonia, raised a protest, and succeeded in getting Slitte imprisoned. Sigismund II. of Poland protested, in the name of Christianity, against Russia, the enemy of all free nations, attracting immigrants to spread the knowledge of useful

<sup>1</sup> W. Milkowicz, p. 559.

occupations. He also suggested that Russia should be introduced to the politics of the European bond.<sup>1</sup>

Under Peter the Great and Catharine II. the power of Russia grew in accordance with the modernising of the army, and the attempted introduction of a higher general culture by the sovereigns.

A special reason for the increase of respect was the fact that the two attempts at attacking Russia—the march of Charles XII. of Sweden, and the grandly conceived campaign of Napoleon I.—were unsuccessful, owing to the miserable condition of the country. As the devastation of the country prevented Charles XII. from reaching Moscow, so the great Napoleon's retreat from Moscow became disastrous by reason of the devastation of the country and the severity of the winter. In this age of railways, telegraphy, and motor-cars, the uncultivated state of a country no longer constitutes a formidable defence.

While Germany was divided into a number of small States its respect for Russia was by no means incomprehensible. When Catharine II. extended the power of the Russian Empire further and further toward the West, Frederick the Great summed up his policy in the East by saying he would be the friend, but not the slave, of Russia.<sup>2</sup> After the great

<sup>1</sup> W. Milkowicz, p. 559.

<sup>2</sup> Heinrich von Sybel, *Geschichte der Revolutionszeit, 1789–1800*, Wohlfelle Ausgabe, 8. Bd. Stuttgart, 1898, p. 155.

king's death, Germany had to accept many a bitter humiliation from Russia. In the peace of Tilsit Russia recklessly sacrificed the interests of Prussia. But when, in 1813, the Russians marched into Prussia, thus assisting in the war of liberation, these humiliations were forgotten, and the Russians were received with a sense of gratitude. It was, therefore, only grateful recollections—as Prince Bismarck has pointed out in his 'Reminiscences'—which guided Prussian politics during the next decades.

'Such recollections,' writes Prince Bismarck,<sup>1</sup> 'were still very vivid among the people in my boyish days, up to Alexander's death in 1825; and Russian grand dukes, generals, and the companies of soldiers who occasionally appeared at Berlin, still enjoyed the inheritance of the popularity with which the first Cossacks were received among us in 1813.'

Prince Bismarck stated that we have made good our debt, especially by the assistance which Prussia rendered to the Czar during the Polish insurrection in 1831. But a grateful memory soon turned into a respect fraught with evil, and under its influence Prussia, as Prince Bismarck says, was in 1850 forced into accepting the Olmütz humiliation.<sup>2</sup>

During the first half of last century this respect was considerably heightened by the imposing personal appearance of the Emperor Nicholas I.

<sup>1</sup> Otto Fürst von Bismarck, *Gedanken und Erinnerungen*, 1. Band, Stuttgart, 1898, p. 274.

<sup>2</sup> *Ibid.* p. 275.

When, in 1848 and 1849, the hurricane of the revolution swept over Western Europe, the absolute power of Nicholas I. seemed to his contemporaries the consummation of the conservative system; and when, in 1849, Nicholas, out of friendship for the Emperor Francis Joseph, sent 150,000 Russians into Hungary and quenched the revolution, then the respect of Western Europe for Russia could go no further.

‘Under his government we lived like Russian vassals,’ wrote Prince Bismarck<sup>1</sup> of the time of Nicholas I.

This respect was due not only to the diplomatic and military power of Russia; it also resulted from the social and economic rise of the Russian Empire. In Germany in particular the opinion prevailed last century that this agrarian state was proof against social democracy and overthrow.

The Moscow Slavophiles considered the system of peasant communal property the foundation of all State and social organisations in Russia. Western Europe, with its private ownership of land, with its industries and its proletariat of the working classes, was supposed to be hopelessly doomed to revolution and destruction. A social question, that inevitable curse of a world of competitors, was said to be an impossibility in Russia. The Russian people

<sup>1</sup> Otto Fürst von Bismarck, *Gedanken und Erinnerungen*, 1. Band, Stuttgart, 1898, p. 274.

having acquired the land as their communal property, the nation bore itself towards the nations of the West, which were suffering from the social disease, as if Russia were the youth bearing the future in his hands.<sup>1</sup>

Meanwhile, as we have seen, this communal proprietorship was one of the chief reasons for the backwardness of Russian farming, and thus responsible for failure of crops and for the revolution. We have seen, further, that the ignorance of the Russian peasant, his inability to write and read, and his superstitions, are responsible for the small yield of his farm, and consequently for the paucity of the national revenue.

Notwithstanding all this, public opinion in Germany during the last fifty years agreed in general with the Slavophil view as to the excellence of Russian agricultural affairs.

During the last centuries the Powers of Western Europe looked upon the Russian Empire as a bulwark against revolution. Since 1871, Prince Bismarck made efforts to create, by the Triple Alliance, and with the co-operation of Italy, a guarantee against the extent of revolutionary and social wars of the future.

‘The Triple Alliance,’ wrote Prince Bismarck,<sup>2</sup> ‘which I originally tried to obtain by the peace of

<sup>1</sup> Gerhard von Schulze-Gävernitz, *Volkswirtschaftliche Studien aus Russland*. Leipzig, 1899, p. 183.

<sup>2</sup> Bismarck, *Gedanken und Erinnerungen*, 2. Bd. pp. 229, 230.

Frankfort, and concerning which I had sounded both Vienna and St. Petersburg as early as September, 1870, when I was quartered at Meaux, was an alliance between the three emperors, with the afterthought of the assistance of monarchical Italy. It was intended against the prospective conflict which seemed to threaten between the two European tendencies—which Napoleon has called the Republican and the Cossack tendencies. According to present ideas, I should call the one an orderly system on a monarchical foundation, and the other the social republic, to the level of which anti-monarchical development generally falls either gradually or by leaps and bounds until the circumstances created by it become intolerable, and the disappointed populace is made receptive for a forced return to monarchical institutions in the form of imperialism. To escape this *circulus vitiosus*, or to prevent the entrance into it of the present or the next generation, is, in my opinion, a task to which those monarchies which are still sound should bend their efforts, rather than enter into rivalry for obtaining influence over the fragments of a nationality of the Balkan peninsula. If the monarchical Governments have no understanding of the need of joint action in the interests of the State and society, but utilise the Chauvinistic tendencies of their subjects, then, I am afraid, the international, revolutionary, and social battles which will have to be fought will become increasingly

dangerous, and it will be more and more difficult for the monarchical institution to obtain the victory.'

He who expects the salvation of future nations to come from political, economical, social, and technical retrogression, will find himself mistaken. The only sure foundation of a nation's future prosperity is political, economical, social, and technical progress. Barbarians can destroy a civilisation, but they cannot maintain and foster it.

The idea that inferior races and civilisations have a special power of maintaining their solidarity is even less true in our time of highly developed technics than it was in the past.

I will pass over the question as to whether the German Empire might, perhaps, in the course of decades have been in a position to quiet the revolutionary crater in Russia. This much, however, is certain, that the Cossacks can do nothing for Germany. Can they manage to prevent the revolution in Russia, or even to quench it? Prince Bismarck over-estimated the ability of the Cossacks to suppress the revolutionary movement.

Since Prince Bismarck intended the Triple Alliance to suppress the revolution, it would have been well if he had recommended to the Emperor of Russia, as long ago as September, 1870, the introduction into Russia of religious and scientific liberty, and a great social and economic reform which would result from the annulling of communal proprietor-



ship and from improved elementary education ; next he should have recommended the gradual raising of the nation to a higher level by giving it political liberty. If Prince Bismarck had succeeded in creating a Triple Alliance devoted to the idea of social progress and increased liberties, then, indeed, this alliance would have formed a bulwark against the danger of revolution.

#### WAHLSTATT (1241) AND MUKDEN (1905)

The event in the history of the world which contemporaries call Mukden is only a new rendering of the story of the battle of Wahlstatt in 1241. At Mukden the Russian march of conquest to the Far East was stopped. At Wahlstatt the Mongolian march of conquest to the Far West was brought to a standstill. On the East European and Asiatic tableland a standstill, as a rule, means a gigantic step backwards for centuries to come. The victor of Mukden may possibly in the course of the next few decades push energetically on in the direction of the Ural mountains. The final decision as to the ownership of Siberia has not yet been arrived at. A brief backward glance upon the battles of Eastern Europe and Asia will reveal the causes of the Russian catastrophe, and its significance in the politics of the world. The conquests and defeats in the fights for the endless tableland between Wahlstatt and Mukden are determining

factors in the history of China, India, Persia, Turkey and Western Europe.

On the spot where even now the yellow Japanese have driven back the great Russian Imperial army in a campaign of eighteen months, a great nomad kingdom was formed 700 years ago by a number of nomad tribes. It was a hand of extraordinary firmness which welded this mighty horde together—the hand of a Napoleon of the East. With a small party of men, from the southern shore of Lake Baikal—which Temudjin (Gengis Khan), born in 1155, inherited in 1175 from his father—he laid in the course of a quarter of a century the foundation of a great Empire.

What Gengis Khan did was even more marvellous than the performances of the great Corsican. It is true, Napoleon formed his armies out of the population of a country impoverished and shaken by the Revolution; but France was at all events one of the most civilised countries in the world. The Mongolians, on the contrary, were at first a people dressed in skins, whose only weapons were wooden staffs.<sup>1</sup> The higher form of warfare Temudjin only learnt on his marches into China and Turkestan.

Both Napoleon and Temudjin loved power for its own sake. Not one religious or national motive

<sup>1</sup> Leopold von Ranke, *Weltgeschichte*. Leipzig, 1887, 8. Auflage, viii. Teil, p. 421.

influenced their actions. As the outcome of a more civilised age Napoleon's ideal was the spread of civilisation, while Temudjin's was the spread of destruction. But the efforts of both were directed to the possession of Asia Minor and India. The entry into Russia was in both cases an excursion on the road to this goal.

After the 18th Fructidor (September 4, 1797) Napoleon said to Bourrienne, in Italy: 'Europe is a molehill; only in the East, which has a population of 600 million inhabitants, have there ever been great empires and great revolutions.' In the following year, after the unsuccessful siege of Acre, in Palestine, he explained, on the day before the last attack, that it was his intention to destroy Turkey in order to found a new great Empire of the East.<sup>1</sup>

A few months before the beginning of his adventurous Russian campaign, Napoleon said to Narbonne: 'After all, this long road is the road to India; ever since Acre I have been saying to myself that Alexander had to travel just as far in order to reach the Ganges. To-day I have to conquer Asia in a roundabout way, reaching it by way of the uttermost end of Europe, in order to hit England. Imagine Moscow taken, Russia beaten, the Czar either conciliated or fallen a prey to a palace intrigue, and possibly a new, independent throne; then tell me whether a French army, assisted by troops from

<sup>1</sup> H. Taine, vol. iii. part i., pp. 89, 40.

Tiflis, could not push forward to the Ganges, which has only to be touched by a French sword in order to cause the scaffolding of India's mercantile power to fall into ruins?' As he said these words a strange light sparkled in his eyes, and he could not tear himself from the daydreams which, within a few short months, caused his great life-work to perish in the vast icy snowfields of Russia.<sup>1</sup> In unbridled recklessness, even as the French Revolution itself, its heir, intoxicated by the dream for world-wide power, rushed after the century-old phantom, the only reality about which is the geographical fact that Europe is but a small part of the great Asiatic continent.

Not less distinctly, though considerably more brutally than the Corsican Cæsar, Temudjin used to explain his striving after the dominion over the wide continent of Asia and Europe. One day, one of his chiefs said to him: 'The finest thing of all for a man is to go out hunting on a spring day, mounted on a good horse, and with his falcon on his fist.' 'No,' replied the great Khan, 'the finest thing of all is to drive your enemies before you, to plunder their homes, mount their horses, watch the tears of their families, and embrace their women.'<sup>2</sup>

The most recent attempt at the formation of a

<sup>1</sup> H. Taine, vol. iii. part i., p. 41.

<sup>2</sup> L. von Ranke, *Weltgeschichte*, i. Band, 3. Auflage, 8. Teil, p. 425.

Europe-Asiatic empire, the gradual advance of the Russian realm towards the shores of the Pacific, has not been due to one man's greed of conquest. The project is an intellectual effort which inspires respect. It has been made gradually and in the course of several centuries, and was finally held together by such modern means of communication as the railway and the telegraph from Wirballan and Myslowicz to Vladivostok and Port Arthur.

The reason for the sudden check to the vitality of the Empire in the Far East, and the doubt as to the continued existence of the Empire itself, are to be found in the fact that the desire for power was not the desire for higher culture and for social and economic progress. On the distant horizon can perhaps be traced the first signs of a new great realm, which some future day may approach the frontiers of Eastern Europe. It is a rising sun above the islands of Japan. So far this race, which knows its own mind thoroughly, and is worthy of the highest respect, has advanced westward on the East Asiatic continent in a manner which makes its march of conquest the best-reasoned project of the kind in the history of the world. The extension of Japan to Corea and Manchuria corresponds to the vital needs of the densely populated country, and to its civilisation, which is superior to that of the continent of Eastern Asia. Germany has listened with pleasure to the kindly words of sympathy and the

warm congratulations which William II., in his speech from the throne in December 1905, addressed to the new Empire of the Rising Sun. Its continental power will be the more firmly established the more its extension to the south and west continues to be in exact correspondence to the vital needs of the Japanese nation.

If the motives which led Temudjin towards the East had been as valid as those of the Japanese of the present day; if, like them, he had conducted his campaigns on highly civilised lines, both in peace and war, and with the purpose to build up, and not to destroy, his empire might have continued to this day. Let us for a moment accompany him and his successors on their marches. When, in 1206, Gengis Khan held a great review of troops on the banks of the Onon, a tributary of the Amur,<sup>1</sup> he found that he was strong enough to attempt the foundation of an empire. In 1211 he broke through the great wall into China.<sup>2</sup> After subjecting Northern China, Turkestan, and Persia, the mounted hordes of Mongolians pressed onward, in 1223, into Southern Russia.<sup>3</sup> The first invasion was only temporary. In 1235 the Mongolian hordes again entered Russia, under the leadership of the Mongol prince Batu. The hordes of a sub-leader, Beta, devastated Poland

<sup>1</sup> Dr. Heinrich Schurtz, 'Hochasien und Sibirien,' in Hans F. Helmolt's *Weltgeschichte*, 2. Band, Leipzig und Wien, 1902, p. 167.

<sup>2</sup> L. von Ranke, *Weltgeschichte*, viii. Teil, p. 423.

<sup>3</sup> Dr. H. Schurtz, p. 168.

in 1241, and swept on into Silesia, annihilating, on April 9, the Polish-German army on the battlefield near Liegnitz, under Henry II. of Lower Silesia.<sup>1</sup>

The superiority of the Mongolians was due to their mounted forces, which always numbered close upon 100,000; they had small, thin, strong horses, and the more wealthy warriors and their mounts wore iron coats of mail. Their chief weapons were long arrows, the sharp points of which pierced the armour worn by any of their adversaries. In battle they were extraordinarily nimble, circling round the foe and confusing him by a shower of arrows before they began to attack and to cut down.<sup>2</sup> When storming a fortified place the Mongolians employed the powder they had brought from China. In November, 1231, they took Ryazan by means of strong projectiles.<sup>3</sup> The conquest, however, of the Polish-Silesian army at Liegnitz, in 1241, the Mongolians seem to have found so difficult that they preferred to turn aside into Hungary. Since then they have not tried to go to war against civilised Germany. The distance of over 5,460 miles between the great Khan's seat in Caracorum (between Lake Baikal and the desert of Gobi) and Silesia does not invite an attack upon an obviously superior enemy.

<sup>1</sup> Dr. H. Schurtz, p. 171.

<sup>2</sup> L. von Ranke, p. 429.

Dr. W. Milkowies, 'Ost-europa,' in H. F. Helmolt's *Weltgeschichte*, 5. Band, p. 456.

In 1905, notwithstanding the fact that they had the 4,800 miles of trans-Siberian railway at their disposal, the Russians underwent a similar experience in their dealings with Japan. The war with Japan has above all things taught Russia the costliness of a long-distance campaign. Such gigantic undertakings would ruin even the most flourishing financial affairs. Gengis Khan and his successors also put great store by a well-ordered system of finance. What Witte was and is for the great East-Asiatic Russian undertaking, Ili tshu tsai Yelui Tshutsay,<sup>1</sup> prime minister and minister of finance, was to Gengis Khan and his heirs. He was a Tunguse with Chinese culture. As Witte is of German descent, and filled with the ambition of introducing into Russia the culture of Western Europe, so Ili tshu tsai was the advocate of a higher civilisation in the realm of Gengis Khan. He opposed the excesses of the autocrats, protected the oppressed, and saved works of art from destruction.<sup>2</sup> The capability of this clever Tunguse assured for him a dominating position under Gengis Khan's successors. His system of tax collecting, his careful registry of conscripts, in short, all the efforts by which he gave a sound foundation to the entire empire of Mongolia was such that, later on, it aroused the admiration of Marco Polo.<sup>3</sup>

One wonders whether this far-seeing statesman

<sup>1</sup> Dr. H. Schurtz, p. 169.

<sup>2</sup> *Ibid.* p. 169.

<sup>3</sup> *Ibid.* pp. 170, 171.



approved the decision of the great Mongolian general assembly at Caracorum, in 1235, that Russia and Europe were to be conquered? <sup>1</sup> Perhaps he only gave a half-hearted approval to the scheme, as was perchance the case with Witte when, ever since 1898, the conquest of Corea and Manchuria was discussed at St. Petersburg. In both cases only a very unimportant part of the project has been realised. In both cases it was the duty of the Minister of Finance to point out in good time the impracticability of the project. As the Mongolians in the end relinquished their schemes for the acquisition of Western Europe of their own free will, Louis IX. of France <sup>2</sup> abandoned his plan of a crusade against them. If, in the course of the next few years, the Russians do not of their own accord withdraw their army to a position this side of Lake Baikal, they will before long expose themselves to an attack of the united yellow races.

With less speed than that of the Mongolian hordes, coming westward from the east, the Cossacks of four centuries later pressed gradually towards the Far East across the Siberian plain. The battles in the Ukraine with the pagan Tartars in the sixteenth century produced the free Cossack tribe. <sup>3</sup> After many years of warfare against the Poles, the Cossacks had become Russian subjects in 1653. Their religion was that of the Greek Church. The Cossack

<sup>1</sup> Dr. Milkowicz, p. 456.

<sup>2</sup> *Ibid.* p. 456.

<sup>3</sup> *Ibid.* p. 589.

Yermak had offered the crown of Siberia already to Ivan IV. the Terrible (1534–1584).<sup>1</sup> In reality, however, Siberia had yet to be conquered. In 1588 Tobolsk was founded as the centre of Russian power, and as early as 1643 the first Cossacks pushed on to the Upper Amur, and thence to the Sea of Okhotsk. In 1652 the indefatigable Cossacks occupied the districts round Lake Baikal, the cradle of the Mongolian conqueror. In horsemanship the Cossacks were probably the equals of Gengis Khan's Mongolians. At all events, the Cossack mounts were as tough as the Mongolian ponies. Meanwhile the opposing forces were less difficult to overcome, since the armament of the Cossacks was superior. Hence they required only small forces for their campaign, while the nomad armies of the Mongolian princes numbered tens of thousands. The advance of the Mongolians took a few decades. The advance of the Cossacks took centuries.

To a regular war with large armies Russia has only been forced by the Japanese. The Mongolians, of their own free will, returned from Western Europe after the battle of Wahlstatt; but the Russians were compelled to retire from Manchuria after their defeat at Mukden. What are the causes of the complete defeat suffered by Russia at Mukden and Tsushima?

In face of the interior condition of Russia, the

<sup>1</sup> Dr. Milkowicz, p. 512.

great undertaking in Eastern Asia, which led to the Russo-Japanese war, was nothing but the pursuit of a phantom. The establishment of a dominion on the Pacific coast would have been very difficult for Russia, even if Japan had remained in the seclusion in which it had existed till 1861. But since this intelligent nation had, during the last forty years, adopted modern civilisation with marvellous zeal, Russia came, in far-off Asia, upon an opponent with whom they were unable to measure strength.

The gigantic sums spent by Russia on the Siberian railway, on the fortification of the ports of Vladivostok and Port Arthur, as well as the commercial port of Dalni, and finally on the war with Japan, ought to have been spent during the last half-century on popular education, on scientific pursuits, and on the improvement of agriculture. Before a nation can carry civilisation to others it is bound to become civilised. The fiendish cruelties committed by the Russian mob in October and November, 1905, at Odessa, Kieff, and in the Baltic provinces, have shown how little the character of the common people, both in town and country, has changed since the days of Tartar rule.

If the educated classes in Russia had attentively followed the development of the Japanese nation during the last forty years, it could never have occurred to them to embark upon an enterprise which was bound to involve Russia, 4,800 miles

from home, in a war against a small but determined nation, and close to the Japanese islands. It ought to have been pointed out at St. Petersburg that the Japanese have during the last decades given proof upon proof of their most brilliant quality—namely, their adaptability. It has been known in Europe for the last 362 years that the Japanese are a nation which knows how to adapt itself to circumstances.

The first European who ever entered Japan discovered this remarkable quality of the nation. In the year 1542 the Portuguese adventurer, Fernão Mendez Pinto, together with two other Portuguese, Diego Zaimonto and Christobel Baralho, came to Cura, in Japan, on board a Chinese pirate barge. They intended to sail from Cochin China (which belonged to Portuguese India) to China, but were driven by a storm on to the Japanese coast, after being tossed to and fro on the open sea for twenty-three days. Their firearms made a great sensation among the Japanese. When Zaimoto, who was a good shot, killed the first brace of ducks, the spectators, who had no idea of the construction and use of a gun, rushed to the head of the town with the story of this wonderful thing. Zaimoto presented the head of the town with the gun, and taught the Japanese how to make gunpowder. In Pinto's record, which was published at Lisbon in 1614, it is pointed out that the clever Japanese soon succeeded in making as good a gun as the one given to them, and

also in making good use of it. 'When we left the island some six months later,' writes Fernão Mendez Pinto, 'over 600 firearms had already been made, and, later on, when the Viceroy Alphonso de Nornha, in 1556, sent me to Japan, every town in the country was well provided with firearms.' Pinto also explains that the Japanese are very fond of the military profession, and are superior in it to all neighbouring nations.<sup>1</sup>

The Japanese people would probably have played a prominent part for centuries past had they not barricaded their country to the best of their ability ever since 1614, against the entry of Europeans. As a result of the Jesuit missions there were, even in 1610, as many as 600,000 Japanese Christians.<sup>2</sup> In 1614, however, a general and very sanguinary persecution of Christians was begun from religious and political motives. The exclusion of foreigners went on with almost the same rigour until Perry's expedition in 1854. The real opening up of Japan meanwhile dates only from the siege of the town of Shimonoseki, in the year 1864, by the combined fleets of England, France, Holland, and America. Thus the white races, supported by their naval guns, compelled the Japanese to develop their most brilliant quality—adaptability—and henceforth to give it full

<sup>1</sup> J. J. Rein, *Japan*, 1. Band, Leipzig, W. Engelmann, 1905, p. 356.

<sup>2</sup> *Ibid.* p. 405.

scope. Up to 1864 it was generally believed in Japan that Europeans and Americans were barbarians. Then the first Japanese mission, which had been taken to Europe in 1862 on board an English man-of-war, returned home. Delighted with what he had seen, a member of the mission exclaimed: 'It is not the foreigners, but we, who are the barbarians.'<sup>1</sup>

Who knows but that in the course of the naval battle of Tsushima many a Russian officer has arrived at a similar conclusion? No fleet has ever carried out its leader's orders with a more flawless precision than Admiral Togo's. And no fleet has ever fired at the enemy in worse fashion than Admiral Rojestvensky's.

Even to those who have never set foot upon Russian or Japanese soil it must have been obvious from the outset what would be the result of the war. Only the conventional respect for Russia interfered everywhere with a clear view of military facts, as is the case to this day in connection with Russia's financial position. But what has Russia, and what have its friends, gained by this continual self-deception, and by the systematic veiling of all real facts? Abroad the result has been Tsushima and Mukden; at home, the revolution.

At the beginning of the war it happened only

<sup>1</sup> J. J. Rein, *Japan*, 1. Band, Leipzig, W. Engelmann, 1905, p. 461.

rarely that any one shared my opinion as to the serious defeat which Russia would suffer on land and on the ocean. As recently as January, 1904, the general opinion at Berlin was that there would be no war. No one believed that the Japanese would dare to oppose at the point of the sword the steady Russian advance on the Yalu and in Manchuria. The respect for Russia was too general, too deep-rooted. Immediately after the war began public opinion was perfectly convinced that Russia would eventually be victorious. Russia's boundless resources, of which it is said to-day that they insure the payment of dividends, were to be a guarantee of the eventual victory of the Empire. But I found even at that time that those who talked most about such resources knew least where they were to be found.

Any thoughtful observer must have foreseen that the military defeat was as inevitable as the outbreak of the revolution and the State bankruptcy. The slightest knowledge of the two nations was sufficient to leave no doubt as to the result of the war. While 73 per cent. of the grown-up population in Russia could neither read nor write, Japan had at most only 10 per cent. of illiterates. The Russian peasant farms in the most unscientific and primitive manner, while the Japanese peasant farms scientifically, even though his implements are still of the primitive kind. In Russia a class of capable industrial workers has only very gradually, and with great

difficulties, been created. On the whole the Russian is still far behind the German and English industrial worker. The Japanese, on the other hand, seems made for industrial activity. Russia is sparsely and Japan is densely populated. The entire Japanese nation was convinced of the necessity of obtaining a footing on the Asiatic continent for the exportation of men and goods. The extension of Japanese power on the Asiatic continent was a social, economic, and political necessity. Behind the Japanese Government stood the enthusiasm of the whole nation. In Russia, which was drifting towards revolution and State bankruptcy, the war was unpopular in the widest circles. The uneducated mass of the Russian peasants might possibly have shown enthusiasm for a march of conquest to Constantinople, but never for a campaign in Eastern Asia.

Russia was governed by an autocrat, Japan by a constitution. For a considerable time past, and in an increasing degree, Russian autocracy had been obliged to reckon with its unpopularity among large sections of the educated classes. The harmony in Japan between the ruler and the people could only be increased by the declaration of war. The corruption of the Russian bureaucracy was known to all the world. The shortcomings of the Russian administrative system had appeared in a terrible form during the Crimean and Russo-Turkish wars.



Japanese administration, on the other hand, had, during the last decades, under the control and with the co-operation of the people, been undergoing a thorough reform. The intolerance of the Greek Church and its hostile attitude towards education contrasted unfavourably with the religious tolerance of Japan. Only the soil of religious and political liberty can produce a capable, energetic nation, which may rely on being victorious in battle. The Russians are not a seafaring nation. If Russia owned more sea-coast and had more ocean trade its institutions would long ago have become more progressive.

The Japanese are an island nation, and a large section of the public stand in direct business relation to the sea. The shipping and fishing population of the country put excellent human material at the disposal of the navy. And the all-important question in the Russo-Japanese war was the question of naval superiority. In former centuries the simple construction of arms made the mental equipment of the soldier a matter of minor importance. Modern arms, however, demand educated soldiers. Pobedonoszeff, the Chief Procurator of the Holy Synod, uses the quotation in his writings: 'The German schoolmaster won the battle of Königgrätz.' But the truth of this saying had not impressed itself upon him, and he did not profit by the lesson by using his great influence during the last

forty years for the spread of popular education in Russia. An individual who can neither read nor write is, as a rule, fit for neither modern infantry nor artillery; least of all is he fit for the complicated apparatus of a modern man-o'-war. To anyone who might still have been in doubt about this, the naval battle of Tsushima and the battle of Mukden must have taught a lesson.

The Russians fared in 1905 as did the Mongolians, with whom they are closely connected through intermarriage, at Wahlstatt in 1241; they had to retreat before the higher civilisation which had grown up at the other end of Asia. Even modern facilities of transport have not been able to remove the obstacle of the vast distances between Myslovitz and Mukden.

In all probability the Russians, in their semi-Asiatic blindness, will theoretically raise many further claims on the shores of the Pacific. The successors of Gengis Khan often raised theoretical claims on Europe. When Pope Innocent (1241-1254) sent a mission of Dominicans to Mongolia, in 1245, the party returned from Turkestan, where they had met the Mongolian General Bakhu, bringing with them two Mongolian ambassadors who, in 1248, presented the Pope with a letter from the general. In this letter the Pope was called upon to subject himself to Mongolia. A similar request was sent by the Mongolian general at the beginning of 1249 to King Louis IX. of France (1226-1270). The Franciscan

William Rubruquis, whom Louis IX., in May, 1255, sent by way of Constantinople and Russia to Mangu, Great Khan of Mongolia, at Caracorum, returned in August, 1255, by way of the Caucasus, Armenia, and Syria, to give to the king an account of his mission. In the Great Khan's letter to the king, the Mongolian sovereign, who described himself as the Son of Heaven and the highest ruler, exhorted the King of France to live according to the teaching of Gengis Khan.<sup>1</sup>

The Russians will be well advised if they put away for ever the thought of a further hostile measuring of strength with Japan. If they had profited more by the events of history they would have avoided a conflict with Japan. The Mongolians found it easy enough to subject far-distant Russia for several centuries. But they never succeeded in subjecting Japan, though that country lay close to their home. When the Mongolian Kublai Khan sat on the throne of China, he demanded of the Mikado Go Uda (1275-1287), in a writ transmitted by the Coreans, that he should acknowledge Kublai Khan's sovereignty over Japan. This suggestion was indignantly rejected. About the year 1275 the Mongols succeeded in occupying the island of Tsushima, which was reached from Corea. But the attempt to land in Japan was not successful. A mighty

<sup>1</sup> Max von Brandt, 'Japan, China, und Korea,' in Hans F. Helmolt's *Weltgeschichte*, 2. Band, p. 96.

Mongolian fleet, which appeared off the coast of Japan in 1281, was almost entirely destroyed by a typhoon.<sup>1</sup>

The hope of the Russians to dictate peace terms at Tokio had from the first still less chance of being realised. If Fernão Mendez Pinto, the Portuguese adventurer, who, as the first European, arrived in 1441 in Japan on board a junk, was a far-seeing man, he may perchance have mused as he passed the island of Tsushima on his return voyage, that the Russians would meet with great difficulties if ever they should stretch out their hands to seize the islands of this adaptive nation some future day when the conquest of Siberia had brought Russia to the shores of the Pacific.

In face of the superior capabilities of the Japanese, and of the difficulties of a campaign at a great distance from home, the Russians ought to have acted with the greatest restraint in Eastern Asia, or else they ought for decades past to have prepared with ceaseless energy for a possible war. What prevented them from using the vastness of their country and the enormous number of its inhabitants to full advantage? First and foremost, their hatred of Germans.

<sup>1</sup> Max von Brandt, 'Japan, China, und Korea,' in Hans F. Helmolt's *Weltgeschichte*, 2. Band, p. 22.

## THE GERMAN HATRED

When Russia decided, in 1891, to build the trans-Siberian Railway it became clear that the construction of this railway would lead to serious conflicts with both China and Japan. It was therefore necessary, for strategical reasons, if for no others, to construct a double line, and to make it as perfect as possible. While the line was in course of construction Russia ought to have created for itself an assured naval superiority in Eastern Asia over Japan and China. After the completion of the line Russia ought to have kept a large military force in Eastern Asia. The need for this was the more pressing since the Japanese, after their victory over China in 1895, had been compelled by the intervention of Russia, France, and Germany to cede Port Arthur.

All these precautions would have been possible if Russia had not for some decades past employed its finances mainly in arming against Germany. Since the beginning of the 'eighties the expenses of the standing army in Russia have been nearly doubled. The Russian army, which at present, in times of peace, numbers from one to two million men, was chiefly intended to fight against Germany. Since the middle of the 'seventies an absolutely unjustified hatred of Germany has continually been spreading under the influence of the Panславists.

The Berlin Congress, in 1878, marked the turning-

point of Russian public opinion towards Germany. At that time it was believed in Russia that the way to Constantinople lay through the Brandenburg Gate.<sup>1</sup>

When the decrees of the Berlin Congress were being settled, and the German delegates of the Oriental Commission did not altogether agree with the Russian delegates, Russia remaining frequently in a minority, Alexander II. took umbrage. In 1879 he sent two autograph letters to the Emperor William I., which contained distinct threats of war. Prince Gortchakoff desired war, but France did not, as Prince Bismarck relates in his 'Reminiscences.'<sup>2</sup>

'Considering the tendency of the Russian Press,' writes Prince Bismarck, 'the increasing excitement of the population, and the massing of troops all along the German frontier, it would have been reckless to doubt the gravity of the situation and the Emperor's threat against the friend whom he had formerly held in such high estimation.'

On September 3, 1879, the Emperor William went to Alexandrovo, in order to preserve peace by means of a personal explanation with his Imperial nephew. On August 27 and 28, 1879, Prince Bismarck had meanwhile discussed with Count Andrassy, at

<sup>1</sup> Gerhard von Schulze-Gävernitz, *Volkswirtschaftliche Studien aus Russland*, p. 197.

<sup>2</sup> Otto Fürst von Bismarck, *Gedanken und Erinnerungen*, ii. Band, p. 220.

Gastein, the outlines of the Austro-German Alliance. In a letter of Prince Bismarck to the King of Bavaria, dated September 10, 1879, we read :—‘The leading Minister, as far as there can be said to be such a person in Russia, is the War Minister, Milutin. It is at his desire that now, after the peace, when Russia is not threatened by anyone, the enormous armaments have been made which, notwithstanding the financial sacrifices during the war, have raised the strength of the Russian peace army by 56,000 men, and that of the Western mobile army by close upon 400,000 men. These armaments can only be directed against Austria or Germany, and the quartering of troops in the kingdom of Poland favours this assumption.’<sup>1</sup>

The danger of war at that period did not come from France, which did not yet feel strong enough, even in alliance with Russia ; it came entirely from Russia. As Panslavism had driven the Emperor Alexander, against his will, into the war with Turkey, so, according to Bismarck’s representation in his letter to the King of Bavaria, Panslavism was on the point of causing a war with Germany.

Nor was the hostile attitude of Russia merely temporary. On Oct. 4, 1883, the Emperor William sent to Prince Bismarck the notes of a talk he had had with Prince Dolgoruky, who spoke as the

<sup>1</sup> Otto Fürst von Bismarck, *Gedanken und Erinnerungen* ii. Band, p. 289.

mouthpiece of the Emperor of Russia. In the letter accompanying the notes Emperor William observed : 'I fully realise the Emperor's present purpose, and I rejoice at it. I have never doubted his wishes and sentiments ; but the immense massing of Russian troops on the western frontiers is an unnatural thing.'<sup>1</sup>

It is a well-known fact that 1887 was another extremely critical year. On that occasion the leader of the Pan Slavists, Katkoff, urged a Franco-German war which, in his opinion, would cause the Czar to become practically the ruler of a weakened Germany and of a grateful France. Katkoff's newspaper, the 'Moscovskaya Vedomosti,' was the leading organ of anti-German Pan Slavism, and came to have the reputation of being the most powerful newspaper after it was known that the Emperor Alexander III. would not listen to the charges made against Katkoff by the Chancellor Giers.<sup>2</sup>

The probability of a war in two directions was somewhat diminished, according to Prince Bismarck, by the death of Katkoff and Skobeleff.<sup>3</sup> In his 'Reminiscences,' Prince Bismarck states that it was improbable that Russia should attack Germany as soon as the armaments were complete. 'Nor do I believe,' he writes, 'that Russia, when ready

<sup>1</sup> Anhang zu den *Gedanken und Erinnerungen* von O. Fürst von Bismarck, i. Band, p. 317.

<sup>2</sup> Alexander Ular, *Die russische Revolution*. Berlin, 1905, p. 171.

<sup>3</sup> Bismarck, *Gedanken und Erinnerungen*, ii. Band, p. 260.



for war, will attack Austria, and I am still of opinion that the massing of troops in the west of Russia was not due to a directly aggressive tendency towards Germany, except in case the Western Powers should oppose Russia's dealings with Turkey.'<sup>1</sup>

When Prince Bismarck was writing his 'Reminiscences,' the tension between Germany and Russia was considerably relaxed. Since the accession of Nicholas II., in November 1894, the relations with Germany had been greatly improved.

The main reason for this improvement is to be found in the fact that Russia had changed its intention of extending its power in the Near East in favour of pushing further on in the Far East. While Russia had immediate designs on Constantinople, it distrusted Austria, and consequently Austria's ally, the German Empire. We shall see further on that Prince Bismarck did not object to Russia's occupation of Constantinople. But it is possible that a natural instinct warned Russia that, sooner or later, Germany would have great economic interests in the East, and that a Russian protectorate over Turkey was incompatible with these.

From 1891, when the construction of the Siberian railway was commenced, Russia's interest turned more and more towards Eastern Asia. Who were the men that had realised Russia's calling as a seafaring nation, and were now trying to establish

<sup>1</sup> Bismarck, *Gedanken und Erinnerungen*, ii. Band, p. 261.

Russia's power on the shores of the ocean? First among them were the three men who had accompanied Nicholas II. on his tour round the world as Heir Apparent, and who had won him over for their politics in Asia. They were Prince Ukhtomsky, Alexeyeff, commander of the vessel in which the Heir Apparent was sailing, and M. Besobrasoff, an authority on India.<sup>1</sup> At the present moment Prince Ukhtomsky is president of the Russo-Chinese Bank and of the East-China Railway. Alexeyeff during the Russo-Japanese war became an historic figure as Viceroy of Eastern Asia. Besobrasoff became Minister of War (without a seat in the Cabinet) and head of affairs in Eastern Asia before the beginning of the war. Witte, the influential Minister of Finance, was also an impassioned advocate of the idea of the extension of Russian power in Eastern Asia. It is owing to the influence of these men that Russia became so deeply involved in Eastern Asia, and on this account lost sight, for the time being, of its plans in the Near East. The army remained on the western frontier, where, however, there was no material for political friction. In Eastern Asia matters came more and more to a head as the years went by; but there was no army or navy to engage in action had it become necessary to do so. In a letter to the King of Bavaria, dated September 10, 1879, Prince Bis-

<sup>1</sup> A. Ular, *Die russische Revolution*, pp. 174-176.

marck gives expression to his belief that the Pan-slavists, by trying to involve Russia in a war with Germany, hoped for an upheaval in the interior. Now that Russia has been drawn into a great war in the Far East, it seems indeed as if an upheaval in the interior were in preparation ; but this upheaval is not of the kind desired by reactionary Pan-slavists of the Katkoff or Skobeleff persuasion. Even if a war with Russia had led to a German victory, it would not have brought about a better political situation for Germany than that which is the outcome of the Russian defeat in the late war.

Russia's policy in Eastern Asia, which has saved Germany the expense of a war, is a house of cards such as the world has never seen. As recently as 1898 the President of the Russo-Chinese Bank, Prince Ukhtomsky, said to Paul Rohrbach that Russia's future lay on the sea coast. In 1904 another Prince Ukhtomsky, the commander of a Russian man-of-war outside Port Arthur, refused to break through the Japanese blockade, saying : ' We are no heroes of the sea ! '

Russian policy in Eastern Asia is a Slav dream ; but dreams of this sort are of short duration.

The hostile attitude which Russia showed to Germany by its military and economic movements, caused Prince Bismarck, in 1887, to instruct the German Imperial Bank against the acceptance of further Russian Government stock. On Novem-

ber 10, 1887, the Imperial Bank refused a loan on Russian revenues. Although Russian consols stood even then very low, on account of the political tension and the unfavourable financial position of Russia, they fell at once even lower. The Four per Cent. Russian Gold Shares of 1884, which stood at 88 on November 9, 1887, had fallen to 87·25 on November 10, and to 85·25 on November 11. But even while they stood so low the German public continued for several months to sell its Russian State paper.

At the same time the crowd of French financiers began to buy Russian Government stock. From hatred of Germany, and in order to assist in reconquering Alsace-Lorraine, the French public readily accepted the subsequent Russian loans. On the strength of these loans Russia increased its standing army, especially on the western frontier. But apart from expenditure in connection with the military forces on the German frontier, Russia neglected the careful development and securing of its policy in Eastern Asia.

The German standing army, which, since the Franco-Russian alliance, has had to reckon with a war on two frontiers, numbers 600,000 men, as against 1·2 million men of the standing army in Russia.<sup>1</sup> Russia is of opinion that its infantry must

<sup>1</sup> This includes men and officers, according to the *Diplomatic Year Book* for 1905.

serve a term of four years, while Germany has long ago shortened the term to two years. No one has any doubt that these extraordinary efforts in Russia, which is financially in a far worse situation than Germany, are aimed at Germany. In Germany no one has ever dreamt of going to war with Russia. Gortchakoff, Milutin, Katkoff, Skobeleff and Ignatieff, on the other hand, hoped to join France in a successful war against Germany. If anyone in Russia doubted Germany's desire for peace, the present moment, when Russia's fleet is annihilated and its army greatly diminished, ought to carry conviction. For, notwithstanding Russia's military, political and financial downfall, no one in Germany has dreamt of using the opportunity to make war on Russia.

What is the reason for this deep-seated hatred of Germany, which has been one of the main causes of the terrible defeats which Russia has suffered in Eastern Asia? 'Against Germans, Finns, Poles and even Jews the Russian has the hatred of the barbarian,' says Alfred Hettner, Professor of Geography.<sup>1</sup> 'Feeling that he is inferior to them in civilisation, he tries either to crush them by brute force or to compel them to relinquish their nationality.'

From the days of Ivan III. (1462-1505) to the

<sup>1</sup> Alfred Hettner, 'Das europäische Russland.' *Eine Studie zur Geographie des Menschen*. Leipzig und Wien, 1905, p. 199.

present day West European civilisation has been chiefly spread in Russia by Germans. Russia has accepted West European culture only by force. Its introduction was made compulsory by the attitude of the rulers. The Russian people themselves have to this very day mostly taken an absolutely hostile attitude to the spread of civilisation. Only the upper classes have accepted this civilisation, which has led to their personal appearance, and gradually to their thoughts and feelings, becoming European.

From hatred of Germanism the Russians have done their utmost during the last few decades to drive the Germans from the Baltic Provinces. More recently they have frequently tried to play off the Lithuanians, Letts, and Esthonians against the Germans.<sup>1</sup> In 1887 the Russians passed the law prohibiting foreigners to become landed proprietors. Immediately after Prince Bismarck's prohibition of the acceptance of Russian bonds, the 'Cologne Gazette' wrote, in November 1887, that the German Chancellor's measure was also intended as a reply to this and other anti-German proceedings in Russia. Russia's hatred of civilisation and its Asiatic self-conceit meet in hatred of Germans. Like the Chinese, the Russians have until recently looked down upon Europe with Asiatic haughtiness.<sup>2</sup>

<sup>1</sup> Alfred Hettner, 'Das europäische Russland.' *Eine Studie zur Geographie des Menschen*. Leipzig und Wien, 1905, p. 98.

<sup>2</sup> *Ibid.* p. 44.

In the Baltic Provinces, where the population is mostly made up of Lithuanians and Letts, who are of Indo-German and not of Slav descent, the hatred of Germans has made itself increasingly felt in the course of the revolutionary movement. It is by no means improbable that in Russia proper and Poland the Slav hatred of Germans may in the course of the revolution come to a terrific outburst.

But have the Russians not some national virtue in which they are superior to us?

## RUSSIAN PERSISTENCY

No less an authority than the greatest statesman produced by the German race was of opinion that the Russians had one great advantage over the Germans.

Prince Bismarck held that the strength of Russia in its dealings with the rest of Europe lay in Russian persistency.

Prince Bismarck, in his 'Thoughts and Recollections,' tells of the sentry who was placed, by the Empress Catharine II. (1762-1796), in a certain spot in the Summer Garden between Paul's Palace and the Neva, to prevent a snowdrop from being picked. The sentry was still stationed in the same place in 1859. 'We criticise and are amused by that sort of thing,' Bismarck observes in telling this story<sup>1</sup>; 'but

<sup>1</sup> Otto Prince von Bismarck, p. 69.

it is an expression of the elemental strength and persistence which constitutes the power of Russia in its relations with the rest of Europe. It reminds one of the sentries who, during the floods at St. Petersburg in 1825, and in the Shipka Pass in 1877, were not relieved, and who were drowned or frozen to death at their posts.'

Prince Bismarck's views of things, as embodied in his 'Reminiscences,' cannot be passed over. A statesman of his unique pre-eminence greatly influences our political views, even after his death, although we may not be conscious of it. His 'Thoughts and Recollections' have become the property of the nation. Even those who have not read them have been indirectly influenced by them through the daily press. And if Prince Bismarck paid such high tribute to the tenacity of the Russians, his view was in all probability shared by the educated classes. Can it be that an unduly high estimate of this virtue has led to an unduly high estimate of Russia's power at home and abroad? The appreciation of the tenacity of Russia may have inspired the respect for that country. Its persistence in relation to the rest of Europe, as well as to the rest of the civilised world, has not been the strength, but the weakness of Russia.

Persistency is a virtue which is bound to succeed when conditions remain unaltered. In olden times, let us say from the beginning of the



Christian era till 1800, the conditions governing agriculture, trade and warfare, changed but little.

From the days of Emperor Charles the Great till 1800, farming was managed on the three-field system. Up to the invention of the steam-engine and the spinning machine (1780–1830) there was very little change in the conditions of trade.

In the textile industry, the most important trade of that period, only the change from the spindle to the spinning wheel (in 1298) was of fundamental importance.<sup>1</sup> After the invention of gunpowder, and its introduction into the trade of arms, little further progress was made in this direction until the beginning of last century.

As recently as 1800 the difference between a Russian and a German peasant, or between a Russian and a German soldier was but slight. Primitive as were the agricultural implements of the Russian peasant, they could not be much worse than those of the German. Imperfect as was the gun of the Russian infantryman, it could not be much worse than that of his German comrade. Steady work and perseverance were of infinitely more account than the tiny amount of capital and technical means at that time in use. Since then capital and implements have begun to be of ever-increasing importance in the domains of agriculture, industry, as well as in the army

<sup>1</sup> Rudolf Martin, 'Grossbetrieb und Handwerk von 600 Jahren.' *Preussische Jahrbücher*, Berlin, 1898, 91. Band, p. 309.

and navy. That nation stands first which is able and willing to advance most rapidly in every branch of industry. With the advance of technics the mental and physical wants of peasants, industrials and soldiers began to increase. About the year 1800 the Prussian army was recruited from a peasant population which mentally and physically stood on about the same level as the Russian. Owing to Russian tenacity the mass of the population, that is to say, the peasant class, has remained on the same material and mental level. The German peasant of to-day towers high above the Russian. In Russia three million men at most are employed in factories against five million in Germany, although the population of the Russian Empire is more than twice as large as that of Germany. The capability, the wages and the education of a German factory worker are, however, on the whole vastly superior. It will take over a century for the Russian industrial worker to reach the present German level. For an army in which seventy-three per cent. of the soldiers can neither read nor write, modern arms are too complicated. The naval battle of Tsushima has given the Japanese, educated and eager for enlightenment as they are, the most glorious palm that has ever in the history of the world been awarded in the strife for culture.

If the Esquimaux at the North Pole is not yet quite convinced of the importance of civilisation and technical knowledge, he cannot be blamed. But

when it is remembered that eminent German university professors and historians a few weeks before the naval battle of Tsushima were of opinion, or even thought it possible, that a few weeks would suffice to establish Russia's superiority on the ocean, one is inclined to judge more leniently the endless number of officers, Government councillors, and business men who believed in Russian victories.

There is no parallel in history to the pertinacity with which the Russian peasant has clung to his wooden plough and his three-field farming. And even where Russians attempt modern improvements, as in their navy, their army, and their railway system, this persistence of theirs constitutes one of the most formidable obstacles to progress.

Even in their ambitions Russians are pertinacious. From the times of Peter the Great to this day they have been endeavouring to occupy Constantinople. With praiseworthy perseverance they have extended their realm over the whole of Northern Asia. And most perseveringly have they to this very day adhered to the crass intolerance of the Orthodox Church, persecuting more or less those not of their faith.

Persistency becomes dangerous in the same measure in which the progress of technics becomes more rapid. While technical conditions changed, Russian persistence clung to transmitted ambitions. The tenacity with which Russia clings to the antiquated conditions of farming and warfare

stands in striking contrast to the tenacity with which it pursues its plans of conquest. The difference between intentions and capabilities continued to increase, and the naval battle of Tsushima was the first of the catastrophes which are the outcome of Russian persistence. The military catastrophe will be followed by political and financial catastrophes.

The contrast between intention and capability which results from Russian pertinacity leads deeper and deeper into revolution, and nearer and ever nearer to a State bankruptcy.

Whatever satisfactory features there may be at the present moment in Russian agriculture and industries is owing to those elements in the Empire which are without this Russian persistence. The nine million Poles, five million Jews, and the millions of Germans and Finns, have done great things in agriculture and industrial pursuits.

The pertinacity with which the Greek Church, on the one hand, sets itself against the education and enlightenment of the masses, and, on the other hand, favours the extension of the Russian realm and the dream of replacing the Greek cross on the church of St. Sophia at Constantinople, is one of the chief causes of the catastrophe now breaking over Russia.

Both in the Russian race and in its religion may be observed this persistency, which constitutes, not

the strength, but the weakness of Russia in its relations to the rest of Europe.

#### THE FORCE OF CONTRASTS

A number of misfortunes have conspired to fall upon this one Empire. They are the unsuccessful campaign, the revolution, and State bankruptcy. The causes of these component parts of the Russian catastrophe are identical. The defeat in war hastened the revolutionary rising of the people, and this rising has led towards the impending State bankruptcy. Different as the symptoms of the national disease are, the causes of the disease are the same.

Perhaps, after a century has passed, historians and students of political economy will quarrel in heavy, learned tomes concerning the causes of the Russian revolution, as even to this day they are at variance as to the causes of the French Revolution. Why do they not consult contemporaries? It seems to me that those are bound to know best who have distinctly predicted every event of this great Russian catastrophe. On the strength of what facts could the coming of the war, the defeat on land and at sea, the outbreak of the revolution, its probable duration, the failure of State dividends, and the downfall of the Empire be predicted? On the strength of the enormous contrasts to be found in

the Russian Empire. The force of these antagonisms is the sole reason for the Russian catastrophe.

Of what sort, then, are these contrasts, the force of which leads to consequences of such gigantic importance to the Russian Empire and far beyond it? We have already begun to take note of them, and in the course of this book they will be laid fully before us. The contrast between intention and capability prepared a Mukden and a Tsushima for Russia, and thereby commenced the series of misfortunes. The perseverance with which Russia adhered stolidly to its policy of conquest stood in ever greater contrast to the perseverance with which Russia has retained to the present day its hatred of education and of foreigners, its superstitions, its three-field farming, its communal property, and its wooden ploughs and harrows.

The small upper stratum of the Russian nation is entirely Europeanised. The industrial and commercial classes also are steeped in the civilisation of Western Europe. But observe the contrast between the twenty-seven millions which form the town and industrial population, and the 115 millions of peasants. The mujik has remained the mediæval, semi-Asiatic creature in his clothing and in his customs, in thought, feeling, and intention. There is no other nation in which a similar gulf exists between town and country, between noble landowner and peasant, between the social-democratic industrial,

and the peasant farmer, sunk in superstitions, and unable to read or write. Between the upper classes and the masses there are not only the differences of property, education, and political power, but the much more striking differences of thought which cause them to appear almost as if they belonged to different nationalities.<sup>1</sup>

Again, the individual Russian of the upper classes represents in himself the contrast of the Asiatic and the European. Have we not seen it day after day in the horrible massacres of the revolution, how governors and generals in high positions developed into Asiatic barbarians and despots? Let those who would realise the enormity of the existing contrasts imagine that, in about the year 1000 A.D., a railway line, with a telegraph and telephone service, had been built right across Germany. The Russian peasant of to-day has no better education than the mediæval German peasant. The two had the three-field system of farming and the wooden farm implements in common. But if the *employés* of this mediæval railway were suddenly to develop into convinced social democrats and adherents of A. Bebel (the leader of the German Social Democrats); if they suddenly began cycling-tours of agitation from the railway-station through the villages of mediæval Germany, the force of such contrasts might then

<sup>1</sup> Alfred Hettner, *Das europäische Russland*. Leipzig und Berlin, 1905, p. 58.

also have resulted in a peasant war such as it is impossible to imagine. The mujik's field yields today no more than did the field of the German peasant in the year 1000. But the mujik is not only made discontented by social-democratic working men, he has also seen something of modern civilisation when he served as a soldier at Kieff or St. Petersburg, and his wants have increased. Ignorant and poor as he is, he cannot increase his crops by more scientific farming. But there is an almost annual increase in the number of his children. Many of them die, but those who survive cause him plenty of anxiety. Where is he to obtain land for them after they are grown up? If he farmed more scientifically the land would require more labour, and thus those of his children for whom no land is available might earn a living as labourers and servants. The increase in the birth-rate over the death-rate in Russia is 1·8 per cent., in Germany 1·4 per cent. of the population. The Russian nation increases annually at the rate of 1·7 million individuals.<sup>1</sup> The contrast between the increase of the population and the food available, between the wants and their satisfaction, becomes more accentuated every year in the Russian village. This increasing contrast governs the destinies of a rural population of 115 million individuals. They all demand more land, and there is no one who can give it them.

<sup>1</sup> Regierungsrat Professor Dr. Zahn, 'Bewegung der Bevölkerung im Jahre, 1903.' 4. *Vierteljahrheft zur Statistik des Deutschen Reiches*, 1905, i. p. 128.



The contrast between the intention and capability of the Russian State is a serious thing ; but it is less dangerous than the contrast between the possessions and the wants of the Russian peasants. It is just because the peasant is so uncivilised that agitators find it so easy to make him serve their revolutionary purposes. With his demand for more land the incited peasant goes to the aristocratic landowner and to the State. If his demand is not acceded to, he is going to help himself to what he requires by way of land, wood, and cattle. Being semi-Asiatic, his greed increases as he begins to plunder, burn, rob, and murder, and finally, when nothing is left to plunder in the country, millions of peasants will go to the towns, there to continue their work of destruction.

The Church and the State have taught the mujik to hate and to despise the foreigner. When he has done the Jew and the German to death, he will turn on the Pole, the Lithuanian, the Lett, the Finn, the Little Russian, the Tartar, and the Armenian. The contrast between the various nationalities, races and religions has been strengthened by the action of the Church and the State during the last decades of enforced Russification. The Greek Church and the State have protected the mujik against acquiring the arts of reading and writing, and have for a thousand years kept him in the fetters of poverty and ignorance. Meanwhile, the

Pole, the Lett, the German, the Finn, and the Jew were doing well, not only in the town, but also in the country. Such noblemen's estates as have been managed by German bailiffs, not only in the Baltic Provinces, but in every part of Russia, are in excellent condition. All the frontier districts of the Russian Empire which are inhabited by foreign nations are in a more flourishing condition than Russia proper.

Between the uncivilised mujik, who is a member of the Greek Church, and the uncivilised foreign nationalities there existed a contrast which was bound to become more striking with the increase in wealth and education of the foreign section. The religion of Russia, the Greek Church, is one of the last and most important causes of the Russian catastrophe. Whether as a religion *per se* it is excellent need not here be considered. But sure it is that it is not in accord with the age of science, chemistry, mechanics, express trains, telephones, and torpedo-boats. As a rule, a religion is in accord with the needs of a country and a people. Neither the Russian race nor its religion is particularly inclined to progress and civilisation, to motor-cars and men-of-war. The incompatibility between the Church and the race on the one hand, and the claims of the present time on the other, is growing. It was owing to this want of harmony that the Russian fleet at Tsushima went with such speed to the bottom. It was owing to this

want of harmony that the cross of Christianity and the Russian eagle had to disappear from Port Arthur. Will the Russian race and religion prove strong enough to maintain its superiority over the yellow race in Siberia? Not without head and trunk reform.

And how many other discords there are to be found in this Empire! The bloody fights of the Tartars and Armenians at Baku, the continual guerilla warfare of the Letts, the Lithuanians, and Esthonians in the Baltic Provinces against the Germans in the towns and in the country, especially against the German landed proprietors; the fury of the Polish industrials against the German industrials at Lodz and Sosnowice; the barbaric hatred of the town mob against everything representing education and property, and the hidden enmity of the numerous Mohammedans against their Russian oppressors—all these represent discords of vast importance.

The collective outcome of these increasingly great divergences is Russia's military weakness, the continuance of the revolution and the insolvency of the Russian State. No one can make these incompatibles disappear. Only in the course of decades can their edge be blunted, but in their entirety they cannot be put away. In them lies the calamity of a long duration of the revolution.

Thus it is seen that a great variety of antagonisms have been the causes of the defeat of Tsushima, the

great railway strike, and the mutinies of Cronstadt and Sebastopol. But were not these dangerous antagonisms imperilling the internal and external power of the State, counteracted by the immense advantage of the Czar's autocracy? The more power is centred in the Emperor, the more easily he ought to succeed in adjusting and governing all existing antagonisms in his realm. The Czar's autocracy was, until quite recently, looked upon as the most powerful bulwark of well-ordered States in Europe, not only by Russian nationalists and Slavophiles, but by eminent and influential persons elsewhere. How is it, then, that this autocracy was defeated by the small yellow Japanese nation, and that it is continually attacked and defied by the army mutineers? How is it that this much admired country of authority has been so rapidly turned into a country of anarchy?

Autocracy itself has come to stand in an ever-increasing contrast to the requirements of the time. The one-man dominion does not harmonise with modern means of traffic, with the progress of science, the spread of newspapers, the growth and increasing power of the educated classes, and with the increase of the class of educated working men. The will of the modern individual comes more and more frequently into collision with the will of the autocrat. While the Crown opposes the striving for liberty and for a constitution by violent means, it fosters animosity and creates the revolutionary party. While

autocracy in its battle against the spirit of progress neglects popular education, and interferes with the advance of science, it weakens the financial, economic, and military position of a nation. The lack of a proper appreciation of these associations of ideas among German officers and diplomatists constitutes the chief reason for the fact that during the war Germans believed for so long in Russia's eventual victory, and after the war in the prosperous future of Russia. These mistakes will, to all appearance, have to be paid for presently by the German nation with a good many millions. But let no one complain when they are lost, and when the consequences are a sea of misery and distress. For the old saying that each man forges his own fortune applies to nations as well as to individuals.

But the most important, most decisive cause of the Russian catastrophe is not to be found in the contrasts represented in the interior of Russia, but in the striking and increasing contrast between the Russian Empire and the rest of the civilised world. The contrast at home is partly due to the contrast with other countries. In Western Europe, America, and Japan science and its practical application, based on the liberty of the individual and on well-ordered laws, have made enormous strides during the last decades. The means of production and traffic, together with the science of war, have been considerably developed. At the same time social

and political aspects have changed in these countries. A powerful social democratic party has come into existence in Germany, Austria, and France.

The Russian State has during the last fifty years accepted from Western Europe an increasing number of modern inventions, as far as they seemed useful for the maintenance of its military power. It has built railways and telegraphs, and encouraged the development of wholesale industries. But while keenly alive to the advantages of accepting inventions and capital, the Russian State was endeavouring with equal zeal to ward off the spirit of Western Europe. The safe shelter of this enmity against education is the Greek Church. As in the past it sought to oppose the first reforms in the reign of Peter the Great, so it has during the last forty years battled against popular and university education. Centuries will pass before the Greek Church ceases to oppose civilisation. It is true the Crimean War (1854-1856) and the Russo-Turkish War (1877-1879) had already shown the world the superficiality and imperfection of Russian civilisation, but only at Tsushima and Mukden did they come fully to light.

In the French Revolution these violent contrasts played a less important part. The France of the reign of Louis XVI. was not behind the other countries in Western Europe. In Prussia the ruler took more thought of the welfare of his people.

But in many German States things were worse than in France. In agriculture, the chief occupation, it must be owned that England was more advanced than France. The contrasts in nationalities, language, and religion were almost non-existent in France. We shall see further on that the contrasts leading to the French Revolution were far less striking than those to which is due the revolution in Russia.

## CHAPTER V

THE RUSSIAN STATE BANKRUPTCY  
THE GREATEST DEBTOR IN THE HISTORY OF THE  
WORLD

It is not a pleasant task to make observations on the subject of the bankruptcy of an individual or a firm so long as the bankruptcy has not been declared. But when it is a case of improving the position of your own country, and of preventing serious losses from falling upon a multitude of people of small means who have no experience with stocks, then it becomes a national and social duty to represent things as they are.

The French State has at the present moment, according to Leroy-Beaulieu's calculation, a Debt of thirty milliard francs, thereby heading the list of indebted States. England's National Debt, which has considerably increased in consequence of the Boer War, amounts to twenty milliard francs (800,000,000*l.*).

On March 1, 1906, the Russian State Debt amounted to twenty-two milliard francs



(880,000,000*l.*),<sup>1</sup> for the interest and redemption of which the sum of 723 million marks (36,150,000*l.*) are annually required.<sup>2</sup>

In April, 1906, the Russian Government raised another gigantic loan abroad. This is the largest loan which a country has ever raised beyond its own frontiers. The total of this enormous loan amounted to 2,250 million francs (90,000,000*l.*). Only 500 million francs (20,000,000*l.*) of this sum were raised in Russia. Of the remainder, France is involved to the extent of 1,200 million francs (48,000,000*l.*); England 330 million francs (13,200,000*l.*); Austria 165 million francs (6,600,000*l.*), and Holland 55 million francs (2,200,000*l.*). Only Germany refused to take part in this loan. According to German newspapers the German Imperial Chancellor sent a written refusal of the offer to

<sup>1</sup> Professor C. Ballod, in his much-discussed review of my book, *The Future of Russia and Japan*, in Schmoller's *Jahrbuch für Gesetzgebung*, 4. Heft, 1905, p. 462, puts the Russian National Debt at 17.1 milliard marks. Helfferich, in agreement with this estimate, in *Das Geld im russisch-japanischen Kriege*, p. 120, puts the Russian National Debt at 7917.5 million roubles, or 17,100 million marks (814,000,000*l.*) at the beginning of November 1905, as compared to 6,636 million roubles at the beginning of 1904. Since then it has increased through the issue of 400 million roubles treasury bonds on December 9, 1905, by 250 million roubles or 540 million marks (27,000,000*l.*). See also *Bericht des Finanzministers an S. N. den Kaiser über das Reichsbudget für das Jahr 1906*, St. Petersburg, 1905, p. 8.

<sup>2</sup> According to the report of the Minister of Finance for 1906 (pp. 9, 26, and 39), the annual payment of dividends in 1906 amounts to 384.7 million roubles or 723 million marks (36,150,000*l.*)

the German Bank acting in the interests of Russia, stating as his reason that at the time being Germany required all her capital for her own loans.

To this 90,000,000*l.* loan must be added a smaller loan of thirty-four million roubles, raised in Russia. Thus, the Russian National Debt at the end of October 1906 amounts to 24,342 million francs (975,000,000*l.*). The annual interest and other expenses connected with this enormous National Debt amount to about 823 million marks (41,150,000*l.*). The National Debt of impoverished Russia exceeds that of wealthy England at the present moment by four and one-third milliard francs (over 173,320,000*l.*). Only France, with a National Debt of five and two-third million francs (over 226,650,000*l.*), is more deeply in debt than Russia.

But while the National Debts of France and England are mainly raised at home, Russia has raised a loan of about seventeen milliard francs (680,000,000*l.*) in foreign countries.<sup>1</sup> From the point of view of foreign countries, the internal debts of a country are not to be regarded as debts. Whether a Government borrows of its own subjects

<sup>1</sup> According to C. Helfferich's estimate (*Das Geld im russisch-japanesischen Kriege*, p. 18), at the beginning of 1904 from seven to nine milliard francs were held in France, while Germany, Holland, and England held nearly three milliard francs. Professor C. Ballod is of opinion that from two-thirds to three-fourths of the Russian National Debt is held abroad. (See also G. Bernhardt, *Armes reiches Russland*, Berlin, 1906, pp. 31 and 68.)

or whether it increases the taxes is a matter of indifference to foreign countries.

Since the beginning of the world no Government has ever had as many debts abroad as Russia has to-day. Looked at from this point of view, it may be said that there has never been a people on earth so deeply in debt as the Russians.

But why does the Russian Government continue to contract debts abroad? Because Russian political economy is unable to raise the means for its Imperial policy. The foreign liabilities of the Russian Government, unequalled as they are in history, would justify the discussion of a possible State bankruptcy, even if we did not consider it our duty to avert a great social and national danger from our own country.

Of the new loan, 1,750 million francs (70,000,000*l.*) have been subscribed abroad. The lack of judgment shown in this matter by foreign capitalists, who once again sacrificed their good money to the Russian Empire, is truly astounding.

In England the loan was made from motives of friendship for France ; but before long the English will find that this friendly service has been somewhat expensive. At the same time the loss of 13,000,000*l.* is not of much consequence to wealthy England. For impoverished Austria the loss of 6,600,000*l.* will be a more serious matter. Austrian capitalists would have found it easy enough to discover

a better market for the sum which was not raised without difficulty. The persons responsible for the loan are not likely to earn much gratitude from the Austrian people, for in Austria too the cry will before long be raised for the prompt arrest and judicial punishment of those who injure the nation by making loans to a bankrupt state. But here also it will be a case of locking the stable door after the horse has been stolen.

As the Russian Government has to reckon with a large deficit in its funds, and is obliged to repay in November 1906 State loans to the amount of 400 million roubles (43,400,000*l.*), its dire need of funds has been supplied for about a year. But where is the next loan to be raised? From the German Empire further loans to Russia will not be forthcoming. All parties in the German Reichstag agree with the Government in its disinclination for further sacrifices of good German money to Russia. Austria's experiences with its share in the new loan are of the worst. From the first day the prices were lower at Vienna than at Paris. The fall in Russian values after the meeting of the Duma on May 10, 1906, together with the continuation of the Russian revolution, prevent French, English and Dutch capitalists from taking any further part in so unsatisfactory a business transaction. The clever, business-like Americans, though they were temporarily bewitched by Witte's charming manner during the Portsmouth peace negotiations in August

1905, had rescinded their loose promises even before the last gigantic loan was raised. The failure of this two and a quarter milliards loan means another long step on the downward road leading to the greatest State bankruptcy in the history of the world.

Under these circumstances no one in Russia will be surprised if we examine the question of the solvency of the largest creditors of all times with a certain amount of brutal frankness.

#### THE DANGER OF PERMANENT INSOLVENCY

In private affairs the declaration of insolvency is the occasion for the assignment of property to the creditors. For the insolvent State there is no bankruptcy law, and no assignment of property to creditors. A State becomes a bankrupt by ceasing to make payments. When a State is no longer able or willing to pay, it tries, as a rule, to veil its insolvency by paying in paper instead of in gold. No State has equalled France during the Revolution in the manufacture of paper money. The ill-famed *assignats* of the French Revolution, in which, after August 1790, even the interest on the National Debt was paid, were in circulation from December 19, 1789, till May 21, 1797. On February 19, 1796, there were also in circulation no less than forty-five and a half milliard francs (1,820,000,000*l.*) in the form of *assignats*.<sup>1</sup>

<sup>1</sup> *Dictionnaire des Finances*, publié sous la Direction de M Léon Say, Paris, 1889, 'Assignats,' p. 195.

When a State is only temporarily unable to fulfil its liabilities, it is both wrong and foolish to talk of State bankruptcy. It may easily happen in the course of a war that a State cannot redeem its bank-notes and paper money in the ordinary way. The one thing of importance is that after the war the State should redeem its liabilities.

How much longer will Russia be able to meet its liabilities? Eminent writers have repeatedly drawn attention to the danger of Russian State bankruptcy, even before the recent war. It is to the credit of P. Rohrbach and Professor H. Delbrück that they were first in explaining, in the 'Prussian Year Book,' the unstable position of the Russian gold standard and the danger of a suspension of payment by the Russian Government. Rohrbach's article on 'Witte's Financial System,' which appeared in the 'Prussian Year Book' for 1902, contained all the chief points that can be raised against the Russian loan.

Owing to the war and to the revolution, the danger of Russia's insolvency has become imminent. The new loan of 90,000,000*l.*, contracted in April 1906, assures Russia's solvency for hardly a year. At the beginning of 1907 very little of it will remain to be disposed of. When, in October and November, 1906, part of the 400 million roubles Treasury Bills, issued in accordance with the ukase of December 9, 1905, has been redeemed out of the new gigantic loan, there will once more be ebb-tide in the Russian

exchequer. And whence will the Russian Government then obtain the money required to pay the interest on the National Debt, to begin the work of civilisation demanded by the Imperial Duma, and to keep the machinery of Government going?

But, even if Russia's solvency could be maintained for an indefinite time, the evil days are still approaching when tremendous sums have to be paid back. The dates when the loans and Treasury Bills must be redeemed are the rocks on which the Russian finance boat must founder.

On August 12, 1908, the Russian Government has to redeem Exchequer Bills to the amount of 150 million roubles (16,200,000*l.*) which were issued on August 12, 1904. Another anxious day for the Russian Government will be July 1, 1911, when the Dutch-German loan of 500 million marks (25,000,000*l.*) will have to be paid back if the holders of bonds give in their claims up to January 1, 1911. The Four-and-a-Half per Cent. loan was floated on the Berlin market at 95 in January, 1905. In the middle of December 1905 their value had already fallen to 85 per cent. Since then they have with difficulty risen, in February 1906, to 92 per cent., in momentary expectation of another and deeper fall. At the beginning of June 1906 they stood at 90. Since the Russian Government has to redeem this loan on July 1, 1911, at par value, notice is bound to be given.

In the year 1917 the repayment of the new gigantic loan of 90,000,000*l.* begins by drawing by lot, and continues for the next forty years. Is it probable that Russia should recover within the next ten years to a degree which would enable the country to pay 90,000,000*l.* within forty years? A revolution costs money. The education of this empire of illiterates will probably cost even more, and the change from three-field farming to the modern rotation of crops will probably absorb over 100 milliard marks (5,000,000,000*l.*). It is difficult to guess whence the Russian State will take the 150,000,000*l.* which are to be repaid within the next fifty years. The largest part of this money has to go abroad. The Russian Exchequer, impoverished as it is, cannot put these sums at the disposal of the State.

Where will Russia's insolvency appear first? In its State revenue or in its bank-notes? In connection with its paper money Russia is an old and hardened bankrupt. In a future difficulty it would have the excuse of atavism, of inherited burdens. The method by which the Russian State draws profits from the public by its bankruptcies is always the same. It prints as much paper money or bank-notes as it requires. Then, in the course of years, it causes the value of paper money to diminish by cancelling the obligation for its redemption. Finally, it withdraws the paper money at about two-sevenths of its



nominal value. By this bankruptcy the State profits to the extent of five-sevenths. In the light view the world takes of such matters this proceeding is called a breakdown of the monetary standard rather than a State bankruptcy.

The greatest expert on Russian political economy, Professor C. Ballod, lecturer at the Berlin University, and member of the Prussian Statistical Office, has pointed out in his review of my book, 'The Future of Russia and Japan,' that in the course of the last hundred years Russia has no less than three times gone through the breakdown of its standard, and in every case as the result of a war—namely, the war against Napoleon (1812), the Crimean war (1854–1856), and the Turkish war (1877–1879). And each time matters were put right by a measure<sup>1</sup> which was more or less like a State bankruptcy. The paper money which had fallen in value through the Napoleonic wars was legally raised in 1839 to two-sevenths of its nominal value. The silver standard, instituted at the same time, broke down two years after the Crimean war. On May 16, 1858, the redemption of the paper rouble was suspended. In 1839 the Russian Government had made a distinct promise that the paper rouble, instituted at the same time as the silver rouble, could always be changed for silver. But what happened? The

<sup>1</sup> Rudolf Martin, *Die Zukunft Russlands und Japans*. Karl Heymann's Verlag, Berlin, 1906, pp. 75, 76.

Government gradually withdrew the gold and silver money which had been put into circulation to cover the value of the paper roubles, and replaced them —by its own notes of credit. At that time, also, everybody declared it to be an impossibility that the Government should touch its own reimbursement funds. But has the Russian Government undergone an entire change since the days, in 1853, when the last silver rouble disappeared from the reimbursement fund?

After the Turkish war (1877–1879) the Russian paper standard fell tremendously; the prices dropped from 88 to 60, and even to 50 per cent. of the nominal value of the paper rouble. By Witte's reform of the standard the silver rouble has at last been fixed at two-thirds of its original value.

At present no paper money is current in Russia, except the rouble notes of the Imperial Bank, which are owned by the State. Before the beginning of the war, on February 5, 1904, bank-notes to the amount of 630 million roubles (68,000,000*l.*) were in circulation. In January, 1906, they had increased to 1,290 million roubles (139,300,000*l.*). Unfortunately, the amount of gold at the Imperial Bank has not increased, but decreased, during this time. Consequently, fewer and fewer of the notes can be redeemed. Before the beginning of the war the gold at the Imperial Bank amounted to 1,062 million roubles. At the moment of writing it amounts only

to 911 million roubles. As soon as the 400 million roubles Treasury Bills are presented to the Government bank for redemption, the amount of gold will fall to 500 million roubles. As a matter of fact, the Russian Imperial Bank, with this insufficiency of gold, ought not to redeem the notes which will be presented in enormous numbers. Thus, the Russian gold standard is in danger.

There is no fear that the breakdown of the gold standard, or, in other words, the State bankruptcy in connection with the paper money system, will injure Russian finances more than the cessation of the payment of interest on the National Debt. In my opinion, the reduction of the National Debt to two-thirds of its value in 1797, during the French Revolution, seems to me a less evil than a State bankruptcy of the paper money system. The heads of the French Revolution never dreamt of redeeming their assignats at the nominal value. When, in 1796, the assignats were discontinued, twenty-four milliard francs in assignats were exchanged for 800 million francs in mandates—a newly-created paper.<sup>1</sup> Thus the holders of assignats only received the thirtieth part of the face value in new paper. But the mandates stood from the first only at 10 per cent. of their par value, and fell within a few weeks to 5 per cent.<sup>2</sup> After the mandates had fallen

<sup>1</sup> 'Assignats,' *Dictionnaire des Finances*, p. 195. H. von Sybel, *Geschichte der Revolutionzeit*, 1789–1800, Wohlfelle Ausgabe, 6. Band, Stuttgart, 1898, p. 281.

<sup>2</sup> *Ibid.* pp. 285, 286.

to nought in February, 1797, they also were withdrawn.<sup>1</sup> The bankruptcy of the paper money system therefore amounted to about twenty-four milliard francs, while the bankruptcy of Government bonds amounted only to three milliard francs.

Will the Russian revolution bring about a new system of assignats? Russia before the revolution had been brilliantly successful in its finances since the institution of the gold standard. This would not have been the case if the Russian Government had not borrowed from abroad seventeen milliard francs (680,000,000*l.*) and the Russian economists another four milliards of foreign gold for industrial undertakings and the construction of railways. Russia has in this direction been more fortunate than the kingdom of France, which had to obtain nearly all its loans at home.

The revolutionary movement in France was, to a large extent, the result of the deficit of State finances. But it was also from the first day a cause of the increase of the deficit, and consequently of the increase of revolutionary feeling. A revolution which destroys the values, and diminishes both the wealth and the revenue of a nation, can never effectively improve the finances of a State. It can only regulate the finances by a State bankruptcy. But this manner of regulation is like the amputation of a diseased limb.

<sup>1</sup> *Geschichte der Revolutionszeit, 1789-1800*, vol. vii. p. 380.

As was the case in France, so in Russia the State bankruptcy will be both cause and effect of the revolution. At the same time, the revolution will appear to be the cause and the effect of the State bankruptcy. The wretched condition of State finances was in France an obvious cause and occasion of the Revolution. Owing to the complicated financial system of the Russian Empire, the cause in this case is less obvious to the uneducated eye.

The Berlin citizen who read the 'Vossische Zeitung' at breakfast during the years 1786 to 1789 was enabled, by the excellent reports of a Paris correspondent, to gain day by day a more settled conviction of the fact that the financial affairs in France helped to bring about the impending Revolution. His great-grandson who read the 'Vossische Zeitung' from 1902 to 1905 could in no wise arrive at the same conclusion by reading the news from Russia. But if he had read, in 1902, P. Rohrbach's work on 'Witte's Financial System' in the 'Prussian Year Book,' or, in August 1905, my book on 'The Future of Russia and Japan,' he would not easily have rid himself of the anxiety (in case he was the holder of Russian State securities) that the accumulation of Russia's financial difficulties would in course of time, and especially after the institution of the Duma, help to bring about the revolutionising of the Empire.

At peril of once again being called a false

prophet in every part of the world for months or even years, I hereby predict that during the next years and decades the continued financial difficulties of the Russian State will appear as a chief factor in the revolutionary movement. They will bring about an impassioned conflict between the Crown and Parliament, and in this manner they will, year by year, cause the revolutionary movement to grow. We shall see further on that the Russian Government will make use of the strongest means in its power in order to quiet the internal upheavals. It will probably suspend the payment of interest, first partially, and finally altogether, on the loans taken up abroad. But owing to the vastness of the revolution not even this will suffice to put Russian finances into good order. The ever-increasing National Debt, in connection with the paper money system, will in future years and decades be a constant source of contention in the Russian Imperial Parliament, or in the parliaments of the various States of Russia, as was the assignat system in France. The suspension of payment of interest on Russian State securities will also lead to severe conflicts abroad, which will add to the revolutionary movement at home. The interference of foreign Powers in the French Revolution again and again stirred up revolutionary passions to fresh outburst, and was one of the chief causes of the Reign of Terror and its atrocities.

The apparent brilliancy of Russian finance by which the eyes of the uninitiated have hitherto been dazzled, had two causes—both of which no longer exist—namely, the inflow of foreign capital, and autocracy. The seventeen milliard francs (680,000,000*l.*) which other countries have lent to Russia, and the four milliard marks (200,000,000*l.*) which have been invested by other countries in Russian industrial undertakings, gave to impoverished Russia the appearance of wealth. They made the gold standard, the payment of dividends, and Russian imperial policy possible. If Russia had had a constitutional government, the State would not have been able to carry through the balancing of funds, the gold standard, the system of State railways, and the regular payment of dividends. Russia is too poor to do all this; and only the iron hand of absolutism has created the brilliant financial situation at the cost of the health and prosperity of the nation. By the manifesto of October 30, 1905, the Czar has given up his autocracy. Owing to the outbreak of the Russian catastrophe people abroad have become disinclined to entrust the Russian Government and Russian enterprise with more of their savings. In consequence of these two events the breakdown of Witte's financial system has become unavoidable.

When King Louis XVI. of France, in November 1787, decided to assemble the three Estates, he hoped that this was the right way to put State

finance upon a sound foundation. Both in France and abroad the feeling was that the institution of a parliament would improve the financial situation of France. And the National Assembly was, indeed, entirely agreed that there could be no thought of a State bankruptcy, and declared the very mention of the term 'bankrupt' to be an infamy. On July 13, 1789, when Necker had for the second time retired, the National Assembly declared that the public debt involved the honour of the nation ; that the nation did not refuse to pay interest, and that no one had the right to utter the infamous term of State bankruptcy.<sup>1</sup>

On the senseless crowd of capitalists, and on those interested in exchange business the prospect of a constitution and parliamentary control of the budget made a favourable impression, at the beginning of both the French and the Russian revolutions. But by a curious coincidence the high hopes of the capitalists were shattered in both cases by an endless string of bad news.

In France the hopes of the State creditors for an improvement in the financial situation by parliamentary means were miserably disappointed. In the autumn of 1790 the National Assembly decided to pay the interest of Government stock in future in assignats. In the course of time this paper money fell to one per cent., and finally to one quarter per

<sup>1</sup> Emmanuel de Bray, *Dictionnaire des Finances*, p. 1425.



cent. of its face value. Thus State bankruptcy began with payment by assignats. Will the Imperial Duma do better by Russia's State creditors?

Will the Russian parliament stand out from every other parliament by its ready acquiescence in the imposition of new taxes and obligations? The mujik, belonging to the Greek Church, who hates the heretic and the foreigner with a deadly hatred—will he be inclined to take up new obligations in order that the interest on the National Debt in foreign countries may be paid? The Lithuanian and Lett peasant, who burns down the mansions of German landowners, will he be filled with the desire to contribute towards the payment of interest to foreign State creditors? Perhaps a noble rivalry will begin between Tartars and Armenians, in which they will outdo one another in inventing new sources of revenue in order that the funds thereby obtained may be drafted off to Paris and Berlin.

But even if—notwithstanding all historic precedents—this parliament, wrung by the nation from the Czar, were to present the unique spectacle of a thoroughly democratic representation of the people, would the Russian nation be ready and able to take new burdens upon its shoulders? Since Russia is impoverished and the populace politically excited, the constitutional government will find it more difficult than reckless autocracy has done to discover and utilise new sources of revenue.

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The end of autocracy gladdens the heart of the Russian State creditor living abroad. But the accompanying circumstances frighten him. The disastrous ending of the war, the growth of the national debt, and finally, and worst of all, the beginning of a seemingly endless revolution, cause him uneasiness.

The financial situation of the Russian Government becomes worse month after month. The emigration of Russian capitalists, which has been noticeable for some time past, has assumed larger and larger proportions since the beginning of the revolution. From July 1905 till February 1906, over a milliard marks (50,000,000*l.*) in capital has probably been taken out of Russia. And not only the emigrants but also the capitalists remaining in Russia consider it wise to invest their money abroad. The longer the revolution continues the more will the national wealth of Russia go to ruin. It is as yet too early in the day to say whether the revolution or the counter-revolution has destroyed most capital. The plundering and burning of hundreds of country estates in the Baltic Provinces and in other parts of the Russian Empire has, in accordance with ancient Russian custom in the quelling of insurrections, brought about the plundering and burning of thousands of farmsteads.

The destruction caused by the revolutionaries in towns was followed by the massacres of Jews and

the anti-educational raging of the horde of priests. Russian Government experts calculate the loss occasioned by the agrarian risings in the autumn of 1905 at thirty-four million roubles (3,670,000*l.*). In consequence of the powerlessness and the slackness of the Russian Government the risings in Baku have swallowed up at least half a milliard marks (25,000,000*l.*).<sup>1</sup> In every part of the Russian Empire, from the borders of Poland to Vladivostok, the revolution has annihilated prices. The loan of forty million marks (2,000,000*l.*) which the nobles of Courland, Livonia, and Esthonia tried to raise towards the end of January 1906, at Berlin, testifies to the extent of damage done in the Baltic Provinces. The fact that since the beginning of the fights between Tartars and Armenians at Baku—from the beginning of September 1905 till March 1906—no petroleum was exported from Baku, shows how heavily Russian industries are hit by the revolution.

The extent to which the naphtha industry at Baku is injured is shown by the otherwise optimist computation of the Russian Government Budget for 1906, which put the income from the taxation of naphtha at a quarter less than in the Budget for 1905. Besides this, the Russian Government has, notwithstanding its difficulties, been obliged to add to its extraordinary expenditure for 1906 a sum

<sup>1</sup> Professor C. Ballod in Schmoller's *Jahrbuch für Gesetzgebung*, 4. Heft, 1905, p. 465.

of fifteen million roubles (1,540,000*l.*) for the reconstruction of the naphtha works. The destruction of State property since the beginning of the revolution is already enormous, and the railways and the spirit monopolies in particular have suffered. In the Caucasus, along the Siberian railway and in the Baltic Provinces a large number of railway stations have been plundered and burnt. Since the beginning of 1905 the revolutionary movement has probably cost the Russian nation (State and private property together) at least a milliard marks (50,000,000*l.*). Added to this is the loss from emigration, which amounts to about another 50,000,000*l.*

The Russian Budget forecast for 1906 showed in the section for extraordinary expenditure a deficit of 481.1 million roubles, or 1,039 million marks (close on 52,000,000*l.*). In truly Russian fashion the Budget does not say anything about a deficit, but explains this decrease of income as compared to expenses as an 'ultra' income 'from future credit operations.' In April 1906 Russia undertook the most gigantic credit operation which has ever been made. But, notwithstanding this loan of two and a quarter milliard francs, the deficit in the Budget for 1906 has not been covered.

As a matter of fact the money from abroad has mainly to be used for other purposes. Of the 90,000,000*l.*, or 843 million roubles, the Russian

Government receives only 677 million roubles.<sup>1</sup> The rate at which the Syndicate of Bankers took up the loan was 83½ per cent. In addition, the Russian State has to pay various other expenses. This business was, therefore, started with an immediate loss of 442 million francs (over 17,000,000*l.*). If the Russian Government redeems the 400 million roubles Treasury bills taken up in accordance with the ukase of December 9, 1905, during the last months of 1906 another 1,060 million francs (42,400,000*l.*) of this loan will be absorbed. Thus the whole of the loan would be spent. Professor Magnus Biermer comes to the same conclusion in connection with a St. Petersburg estimate of the 'Berliner Tageblatt,' although his figures differ somewhat from mine.

If the Russian Government intends to balance the Budget for 1906, it will be obliged to issue another milliard loan in the course of the present year. This is all the more necessary as the actual deficit greatly exceeds the amount stated in the forecast.

The Budget estimate for 1906, made towards the end of 1905, was based on the assumption that there was no revolutionary movement to be reckoned with in 1906. The Russian Minister of Finance in the report made to the Czar on the subject of the Budget for 1906 says (p. 15): 'Thus it may be expected that the calculations of the forecast will

<sup>1</sup> Secret Report of Kokovzeff, Minister of Finance, September 5, 1906; published in October 1906.

be realised in case the present disturbances in Russia come to an end, but in case they continue they might cause some of the sources of income to yield less. But to what extent this may be the case cannot be said beforehand.'

I am afraid that these over-estimates, which in the French edition are more distinctly named as 'Diminutions de rendement,' will fall in showers from the section of the Budget for 1906 in which the sources of income are stated. The proper course to take would have been to place among the extraordinary expenditure two milliard marks (100,000,000*l.*) in view of the existing revolution, in order to cover the direct losses caused by the revolution, and the decrease in revenue. In his report to the Czar the Minister of Finance justifies this omission from the extraordinary expenditure in these terms: 'The grants tabulated include those extra expenses which the Senate has considered in the Budget for 1906 on the supposition of more or less normal conditions of State affairs. The continuation of the disturbances might make further grants compulsory. Such expenses, however, cannot be taken into consideration in a forecast, and even in the actual Budget and with the utmost effort to make it complete, they cannot receive a place.'

By the assembly of the Russian Imperial Duma the danger of the continued insolvency of the Russian State is in no way diminished.

But it is plain, from the discussions of the Duma during the first session, that the expenses threaten to increase enormously. The Duma insists with great energy upon a speedy solution of the agrarian question. As a solution of this question it insists primarily upon the distribution among the peasants of the land belonging to the Crown, the Church, and the large landed proprietors. So far the plan is to compensate the landed proprietors for the land taken from them. The assistant of the Minister of the Interior has pointed out in the Duma that the 141 million desyatin (about 102 million acres) belonging to private owners have a value of four milliard roubles, or eight milliard marks (400,000,000 $\text{\$}$ ). If only one half of this privately owned land has to be taken under compensation, for distribution among the peasants, four and a half milliard marks (225,000,000 $\text{\$}$ .) will have to be raised by the State.

Again, the distribution of the land belonging to the State, the Crown and the Church will occasion great expense and diminish the revenue of the State. It is sufficiently shown in the present volume that the distribution of this land does not constitute the solution of the agrarian question. The Imperial Duma, therefore, very rightly insists already on improvements in popular education. The desire to lighten the taxes paid by the peasant, and to provide him with State capital for the better and

more scientific working of his farm, will soon be mentioned. A taste of food increases the appetite for it. As soon as the peasants realise that the State is willing to listen to their material demands they will make further demands. In consequence of the monstrous neglect of the Russian peasants by the State, enormously large means will be required if the justified demands for more land, better education, and more capital are to be satisfied even to some extent during the next few years. We have shown, in another place, that 100 milliard marks (5,000,000,000*l.*) are required to make the average Russian arable land as productive as the less fertile soil in Germany. But where could the ten or twenty milliard marks (500,000,000*l.* or 1,000,000,000*l.*) come from which the Russian State will require for an effective beginning of this task of a century?

Even if the action of the Imperial Duma did not drive the Russian Empire further and further into the revolution, it would shortly bring about the insolvency of the State. The time is close at hand when the Russian Imperial Duma will realise that it is impossible to obtain the money required for effective action. Will this National Assembly, which is dominated by Radical peasants, put the interests of the creditors of the Russian State before the interests of the Russian peasant? In all probability it will sacrifice the interests of the Russian



State creditor to the impetuous demands of the Russian peasant, and cease to pay interest.

But the deliberations of the Russian Imperial Duma, the Russian Government, and the representatives of Russian State creditors during the next few years are, after all, of little importance. They are like business men assembling for business purposes at the edge of a crater threatening immediate eruption. Their purposes, discussions, and decisions are of no further consequence to them when the moment arrives in which they are sent flying high up into the air by the eruption of the volcano. The fate of the Russian State creditor will soon be decided by the wild outburst of the Russian peasants' unbridled passions, which, after threatening for many a day, have now become ungovernable.

#### THE BOUNDLESS WEALTH OF RUSSIA

But is not the solvency of the Russian Empire assured by Russia's wealth? Nearly all holders of Russian State papers are convinced of Russia's wealth, and in the hidden treasures they see the guarantee for the continuation of interest.

Russia is boundlessly rich: this delusion embodies the greatest fraud in the history of civilisation.

Based on this delusion, and on the suppression of endless facts, whole nations have for generations past

done forced labour for the Russian Empire. The savings, gathered with toil and great privations by many millions of Frenchmen and Germans have been lent out far away in Russia, because that country is said to be boundlessly rich. Since the appearance of my book I have had special opportunities of becoming acquainted with the views held by a large number of people as to the financial powers of Russia. With curious unanimity all manner of men have tried to meet my anxieties as to the future of Russia by saying, 'But Russia is boundlessly rich !'

Who was it that spread this erroneous belief first among the masses? Who has created this first impression of the future Panama? Only on the basis of so general a mistake has it been possible that the otherwise cautious German nation should have entrusted its savings again and again to the Russian Moloch, and that, as recently as January 1905, a Russian loan of 500 million marks (25,000,000*l.*) could be raised in Germany. To-day the holders of this four-and-a-half per cent. loan, which was issued at 95 per cent., are perhaps a little shaken in their faith in the boundless wealth of Russia, for they have sold a large number of their bonds at a loss of ten per cent. when they stood at 85, in the middle of December 1905.

From the point of view of the history of civilisation it may be of great value to trace this erroneous

belief to its source. But we will confine ourselves to stating the fact that the most experienced bankers and the cleverest parliamentary leaders were as much mistaken in their estimate of Russia's wealth as small artisans, hairdressers, and farmers. This, however, is certain, that the general mistake has not been made without the responsibility of individuals. Nor is the nation as such free from responsibility. If the German people should eventually lose two milliard marks out of two and a half milliard State securities, and one milliard of railway and industrial securities, together amounting to three and a half milliard marks Russian securities, which they hold to-day, this loss of unequalled dimensions, which can only be compared to the losses of an unsuccessful campaign, does not say much for the judgment of the German nation in business affairs. As compared to France, we Germans do not, however, come out badly ; for, after the little Panama bankruptcy, the French are concerned to the extent of eleven milliard francs (440,000,000*l.*) in the gigantic bankruptcy of the Russian State. But how much wiser do the English and the American nations appear, who are not concerned to any extent in the greatest bankruptcy in the history of civilisation !

The English have never believed in the boundless wealth of Russia. Nor have they ever considered the absolute power of the autocrat a magic wand wherewith to conjure endless treasure out of

the ground. As long ago as the reign of Czar Michael Romanoff (1613-1645), Russia vainly attempted to float a loan in England.<sup>1</sup>

In what does this boundless wealth of Russia consist, of the existence of which people in France and Germany are so firmly convinced? Does it lie beneath the soil, or is it the soil itself, or is it something to be found upon the soil? Is it a single object, or several objects, or is a long list required to enumerate all the valuable objects? Why does not somebody hand a copy of this list to Count Witte, who, considering the present financial difficulties in Russia, would no doubt be deeply grateful?

Those who ought to know, the geographers and economists, have no knowledge of the boundless wealth of Russia. Russia's most important riches are the soil. We have already seen that the northern part of Russia is forest land, and that only in other parts can agriculture succeed. The soil devoted to agriculture is, especially in Central Russia, naturally very fertile. The black soil is positively famous for its fertility, but wherever the soil is good the district is fully populated, and the yield therefore depends on the capability of those who do the farming. But the Russian people being what they are, both

<sup>1</sup> Rudolf Martin, *Die Zukunft Russlands und Japans*. Berlin; K. Heymann's Verlag, 1906, p. 90; Brzezny, 'Die Entwicklung der russischen Staatsschuld,' *Finanzarchiv*, 6. Jahrgang, Stuttgart, 1889, p. 154.

the quality and the productiveness of the soil are, as a rule, directly injured. In consequence of the ignorance and backwardness of its agricultural population Russia is not rich but poor.

But has Russia no industries? Russia has widespread home industries,<sup>1</sup> which G. Cleinow considers capable of being improved. It has also important wholesale industries. All articles sold in bulk are entirely made in the country. The Russian wholesale cotton industry is partly worked in large model factories. The Russian iron industry, again, is mostly worked after modern methods and well managed.<sup>2</sup>

Russian industries dominate the home markets, that is to say, the consumption of 142 million individuals, by reason of the high protective duties, which have been several times increased since 1877. The extension of the railway system, managed or encouraged by the State, absorbed the most important share of the iron industry. This State-Socialism, together with the industrial protective duties, has been of great assistance to Russian commerce and the Russian State during the last quarter of a century.

Thanks to their clever imitation of the Russian

<sup>1</sup> George Cleinow, 'Beiträge zur Lage der Hausindustrie in Tula,' in Schmoller's *Staats- und sozialwissenschaftlichen Forschungen*, Leipzig, 1904.

<sup>2</sup> A full explanation of the limits to Russian industries will be found in my book *Die Zukunft Russlands und Japans*, p. 96.

Government, Russian industries have made great progress during the last thirty years. If the value of the entire production of the Russian Empire is put at nine milliard marks (450,000,000*l.*) per annum, a share of three milliard marks (150,000,000*l.*) falls to the industries, and six milliard marks (300,000,000*l.*) to agriculture and home industries. But only three million individuals are employed in industries as compared to forty millions in farming and home industries.<sup>1</sup>

The possibility of an extension of Russian industries, however, is limited by the consumption of the inland population. While the annual increase of population in Russia amounts to 1·7 million, the number of industrial workers<sup>2</sup> increased annually at most only by 100,000. With so slight an increase of industrial workers the increase of consumption is not of much use to the rural population. Therefore the increase in consumers and the number of industrial workers can only, in an almost endless course of years, bring the money to the peasants which is required for the improvement of their farming.<sup>3</sup>

The natural conditions of Russian industries

<sup>1</sup> Rudolf Martin, *Die Eisenindustrie in ihrem Kampf um den Absatzmarkt*. Eine Studie über Schutzzölle und Kartelle. Leipzig, Duncker und Humblot, 1904, p. 147.

<sup>2</sup> Valentin Wittschewsky, *Russland's Handels, Zoll und Industriepolitik*, 1905, pp. 276, 281.

<sup>3</sup> *Ibid.* p. 277.

are by no means particularly favourable. Cotton from Ferghana, in Russian Central Asia, has to travel a long way by train to Moscow or Poland. Iron-ores and coal are found close together only in the Donetz district in South Russia. But they are not as easily sent into the market as is the case in, say, Lorraine or the Ruhr district. 'On the whole,' says Professor A. Hettner, 'the East<sup>1</sup> European tableland is rather poor in minerals.'

All branches of Russian wholesale industries must suffer by the condition of the Russo-Slav working classes and by the backwardness of technical and elementary education in the Russian Empire. Thus the products of Russian wholesale industries are not exported in a single important branch. Since these Russian products, when exported, would everywhere in the markets of the world have to compete with the products of German, English, and American industries—that is to say, with the products of superior workmanship and greater enterprise—it will be many years before even single products of Russian industries may venture into the markets of the world.

If Russia had any important natural products, the Russian State, in its sore plight, might pawn them out to foreign capitalists, as far as it owned them. The naphtha springs at Baku are a positive gold mine to Russia. But even this treasure

<sup>1</sup> Alfred Hettner, *Das ost-europäische Russland*, p. 206.

is made less valuable by the inferiority of the population and the Government. Through the fights between the Tartars and Armenians at Baku in the autumn of 1905, which the Government was too weak to stop, the value of the naphtha industry has been diminished by half a milliard marks (25,000,000*l.*). Professor C. Ballod rightly points out that under these conditions the pledging of objects of value in Russia is of very doubtful value to foreign creditors.<sup>1</sup>

My general opinion on the riches of Russia is by no means more pessimistic than the opinion of Professor A. Hettner, who takes an entirely objective view.<sup>2</sup> It is not true that Russia is boundlessly wealthy, but it is an unquestionable fact that the exploitation of the natural conditions of Russian soil has been rendered more difficult for generations to come by the condition and religion of the people.

#### THE GREATEST DEFICIT IN THE HISTORY OF FINANCE

Those who would form a true opinion of the financial situation of a State should, in the first instance, turn to the commercial position of the country, and only in the second instance to the finances of the State. A well-founded opinion on

<sup>1</sup> C. Ballod, in Schmoller's *Jahrbuch für Gesetzgebung*, 4. Heft, 1905, p. 465.

<sup>2</sup> A. Hettner, p. 205.



the future of the finances of a State can only be arrived at from a consideration of the social, economic, political, and military situation of the country. When, towards the end of August 1905, Russian State securities of the year 1902 rose in a few days from 88½ to 93·20, in consequence of the Portsmouth Peace Declaration, every pro-Russian newspaper declaimed that my book, which had appeared on August 22, was on the wrong track. Only a few particularly well-conducted papers had clearly realised that my prediction of the Russian State bankruptcy was too well founded to be influenced by the peace conclusion which was comparatively favourable to Russia.

It was obvious, even in the autumn of 1903, that the position of Russia, which so far had been favourable, was about to undergo a change for the worse. Even at that time the war seemed unavoidable; and there could be no doubt that the war would mean a defeat, and that its result would be a revolution.

When I read Professor D. Helfferich's articles on 'The Financial Side of the Russo-Japanese War,' which were published in the 'Marine-Rundschau' in the spring of 1905, and noted the representation of Russia's brilliant financial position and of the Russian Budget surplus, I was convinced that this was the last tribute which would be paid to Witte's system of finance.

The Budget of the year 1904, revised by the Russian Imperial Comptroller, which was made public in November 1905, showed the enormous deficit of 317 million roubles (34,250,000*l.*).<sup>1</sup> This gigantic deficit resulted after all the loans of 1904 had been placed under the 'extra' resources. This deficit of 1904 was, according to the 'Frankfurter Zeitung' (November 11, 1905, second morning edition, and January 16, 1906, evening edition), made good by the ready money of the Imperial Exchequer—that is to say, by the funds at the disposal of the State.<sup>2</sup> With this act the funds at the disposal of the State have practically ceased to exist.

If the enormous deficit of 1904 should be repeated in the Budget for 1905 and 1906, from what source is it to be made good? As long ago as the end of August and the beginning of September 1905, the Russian Minister of Finance, Kokovzeff, repeatedly referred to my book in conversation with the correspondent of the 'Standard,' as well as with the correspondents of the 'Pester Lloyd' and the 'Neue Wiener Tageblatt.' According to the Russian paper 'Birjovaia Vedomosty,' Kokovzeff referred to my book as 'twaddle,' in

<sup>1</sup> *Rapport du Ministre des Finances à S. M. L'Empereur pour l'exercice 1906*, St. Petersburg, 1905, p. 55; *Frankfurter Zeitung*, second morning edition of Nov. 11, 1905, and evening edition of Jan. 16, 1906.

<sup>2</sup> See 'Report of the Minister of Finance to H.M. the Emperor, on the Budget for 1906.' St. Petersburg, 1905, p. 7.

conversation with the 'Standard' correspondent. In justification of this extraordinary piece of criticism the Minister of Finance said: 'I can say beforehand that the Budget for 1906 will be brilliant. I hope that all extra expenditure will be made good from the ordinary revenue.'<sup>1</sup>

Thus spoke the Russian Minister of Finance on September 4, 1905. In the Budget forecast submitted to the Emperor by Kokovzeff's successor, Chipoff, the deficit for 1906 was already estimated at 481 million roubles (52,000,000*l.*). If you begin to prophesy, the main thing is that your prophecies should come true. The Russian Minister of Finance, Kokovzeff, would therefore have done better if he had not undertaken to rectify my predictions by his own. I hereby meet his successor in predicting that at the conversion of the Budget for 1906 it will be found that the real deficit will be twice the amount of that mentioned in the forecast, unless the entire deficit is covered by a gigantic loan.

Considering the absolute ignorance of the Minister of Finance, Kokovzeff, at the beginning of September 1905, about the position of Russian finances in 1906, his declaration to the representatives of the 'Pester Lloyd' and the 'Neue Wiener Tageblatt' that he would disprove the statements in my book is not surprising. On September 3 he caused the

<sup>1</sup> *National Zeitung*, No. 505, Sept. 6, 1905, and *Dina Zeitung*, No. 188, Aug. 29, 1905.

semi-official Petersburg Telegraph Agency<sup>1</sup> to make known his intention of submitting my book to an objective and exhaustive criticism which should clearly and distinctly show its real value. This statement was carried all over the world by Reuter's and Wolff's Agencies. The promised criticism of my book has, however, not yet put in an appearance. Probably the Russian Minister of Finance has meanwhile become convinced that my information on the position of Russian finance was more reliable and complete than his own. It is also possible that the sudden realisation of the fact, that the deficit for 1906 amounts to over a milliard marks (50,000,000*l.*), has left him no time for a criticism of my book. Personally, I have considered the announcement of this criticism from the first as a piece of bluff intended to mislead the international public of capitalists. I have never believed in the appearance of this document.

The ordinary and extraordinary expenses of the Russian Budget for 1906 are estimated at two and a half milliard roubles; that is to say, at close upon five and a half milliard marks (275,000,000*l.*). This has resulted in a deficit of one milliard marks (50,000,000*l.*); whereas I put it at two milliard marks (100,000,000*l.*). As the Russian Budget forecast purposely ignores the Revolution, it may be compared with the French Budget for 1788, the last

<sup>1</sup> See *Berliner Börsen Kurier*, No. 414, Sept. 4, 1905.

year before the Revolution. To the statement of expenses, amounting to 600 or 700 million francs (24,000,000*l.* to 28,000,000*l.*), there had to be added, at the meeting of the General Assembly on May 5, 1789, an annual deficit of from 120 to 140 million francs (4,800,000*l.* to 5,600,000*l.*).<sup>1</sup> The deficit in both cases in the last forecast, made without reference to the Revolution, amounts to one-fifth of the entire expenses.

How, then, did the French forecast actually work out during the first year of the Revolution?

How did direct and indirect taxation work out? On June 10, 1790, Lambert, the Chief Comptroller of Finances, declared at the meeting of the Chamber: 'The levying of taxes is hindered all over France by incessant risings, robberies, and anarchist principles of liberty. In one place the people are told that by a steady refusal to pay they can force the cessation of such taxes as are in contradiction to the rights of the people; in another place smuggling is carried on by violent means, and the people protect the smugglers; the National Guards refuse to march on the "nation." In yet another place, quarrels are brought about between the troops and the district guards; the latter are cut down, the offices are burnt and plundered, and the prisons stormed.'<sup>2</sup>

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit, 1789-1800*, Wohlfleile Ausgabe, 1. Bd., Stuttgart, 1897, pp. 46, 60.

<sup>2</sup> H. Taine, *Origines de la France Contemporaine*, vol. iii. part 1, p. 335.

Amid the confusion of the Revolution indirect taxation disappeared rapidly enough!

From May 1, 1789, to May 1, 1790, the fiscal receipts amounted only to 127 million francs (5,160,000*l.*), instead of 150 million francs (6,000,000*l.*). The monopolies and the taxes on beverages yielded only thirty-one million francs (1,240,000*l.*) instead of fifty million francs (2,000,000*l.*). 'The resistance of the people,' writes H. Taine,<sup>1</sup> 'tends more and more to dry up the sources which formerly fed the Exchequer, till at last the National Assembly, yielding to general pressure, does away with the salt tax, the taxes on merchandise, the duties on oil, leather, starch, and iron. In February and March of the following year it takes off the communal taxes and all the food taxes, especially those with which beverages are burdened. On May 1, 1791, the day of the abolition of these taxes, the windows in Paris were illuminated, and there was drinking all through the night. Wine and beer were half as cheap again as they had been—no other concession could equal this in popularity, for it enabled everyone to drink to excess.'

The Russian revolutionary and Socialist prints have long been demanding the abolition of the spirit monopoly and of all direct rates and taxes.<sup>2</sup>

<sup>1</sup> H. Taine, *Origines de la France Contemporaine*, vol. iii. part 1, p. 835.

<sup>2</sup> Theodor Schiemann, 'Die äussere Politik der Woche,' in der *Kreuzzeitung*, Wednesday, Nov. 22, 1905.

In March 1790 the Chamber abolished the salt monopoly.<sup>1</sup> This monopoly was looked upon in France with as much hatred as is the spirit monopoly in Russia.

Through the abolition of financial leases, importation duties and food taxes, the French State suddenly lost two-fifths of its income.<sup>2</sup> The Russian State will in all probability lose more heavily still.

Did direct taxation produce a surplus in France? The direct taxes (such as the capitation and twentieth taxes) brought in from May 1, 1789, till May 1, 1790, only twenty-one instead of 161 million (840,000*l.* instead of 6,440,000*l.*).<sup>3</sup>

After the Revolution had replaced old taxes by new ones, in France, was the system of taxation better regulated? Taine tells us very clearly that even the attempt to settle the taxes endangered the lives of the communal representatives. From the estimate of 300 million (12,000,000*l.*) to be raised by direct taxation during the financial year 1792, hardly four million (160,000*l.*) had been raised up to February 1, 1793. And how did the peasant finally pay? He paid in assignats.<sup>4</sup>

During the Russian revolution it will also come to pass before long that taxes as well as all other State receipts will no longer be paid in gold but in

<sup>1</sup> H. Taine, p. 336.

*Ibid.* p. 337.

<sup>2</sup> *Ibid.*

<sup>4</sup> *Ibid.* p. 342.

bank-notes; this will come about as soon as the Russian gold standard has broken down. Moreover, the Russian revolutionaries have been inviting the entire nation, ever since December 1905, to refuse the payment of taxes.

All those who, up to the end of November 1905, affirmed that the Russian Empire was in a position to increase its income by additional taxation, have indeed a heavy responsibility on their shoulders. It is to be hoped that short-sightedness and infatuation are mainly responsible for this misrepresentation of the Russian financial situation, and that there have been no other motives by which the German nation is threatened with grave losses.

One of the greatest experts on Russia, Professor C. Ballod, in discussing my book, has distinctly stated that by putting taxes on beer and tobacco, which amount to three or four times the taxes placed on these articles in Germany, Russia has nearly come to the end of its tether.<sup>1</sup> The duty on sugar and petroleum ( $1\frac{1}{2}$  to  $1\frac{1}{4}$  of the duty in Germany) is also very high, according to Ballod. And in this matter, also, Ballod agrees with me that it is questionable whether the introduction of income-tax will result in more than 100 million marks (5,000,000*l.*). The Russian national economist,

<sup>1</sup> Carl Ballod, *Schmoller's Jahrbücher für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche*, 4. Heft, 1905, p. 466.



A. A. Radzig, estimates the result at only forty million roubles (4,000,000*l.*).<sup>1</sup>

Under the effects of this revolution of great contrasts the ordinary revenue of the Russian Empire will fall in a few years from four milliard marks (200,000,000*l.*) to half of this sum.

The expenses do not diminish, but increase. Do they believe on the Berlin Stock Exchange that a civil war costs the State no money? What did its civil war cost the United States, and the Tai-ping revolution the Chinese Empire? For years to come the man who is able to carry arms will have to be fully equipped for war, and it is the State which will have to pay the piper in this matter of permanent armament. The destruction of means of traffic, of the railways, the telegraphs, the telephone, and the bridges is becoming a regular occurrence. The loss of men-of-war does not come cheaper when the State itself sinks or destroys them in order to master the mutineers on board, as happened on November 29, 1905, at Sebastopol. And even if the Imperial army at Sebastopol, and at an earlier date at Cronstadt, was victorious and regained the lost fortresses, such successes are not without expenses. At the present moment Russia stands only at the very first beginnings of the revolution. In the years

<sup>1</sup> *St. Petersburg Zeitung* of Sunday, Nov. 27 (10 Dec.), 1905, No. 814.

to come the cost of revolutionary warfare will be more keenly felt.

The deficit of the first years of the French Revolution showed an enormous increase over the preceding years; only it is difficult to fix it, owing to the introduction of the assignat system. Without payment by assignats the deficit before the Revolution would without a doubt have been twice as large. I am afraid a survey of Russian affairs will within a few years become an impossibility, owing to the events of the revolution, and especially to the breakdown of the gold standard and the endless activity of the paper money press.

Since the course of the revolution has already shown that the revolutionaries are more influential on the railways than the Government forces, the fear is justified that this branch of the public service, which is of great importance to the Russian revenue, will suffer even more in the future than it has done in the past. The railway strike, which began at Moscow on October 22, 1905, was maintained to the end of February 1906 in vast districts of the Russian Empire. At the end of February 1906 all Siberian railway lines, all the lines in Caucasia, and a large number of other Russian lines, were closed, according to the announcement of the Bromberg railway administration. The long-continued interruption of traffic since October 22, 1905, is bound to be disastrous for the railway revenue.

The long dispute as to whether the working of the Russian railways does or does not show a surplus has been settled by the report of the Minister of Finance to the Government on the Budget for 1905 and 1906, which was published in French.<sup>1</sup> According to this official report the Russian railways have been worked at a loss for all the years from 1887 to 1904, with the single exception of the year 1896. The loss to the Government from the railways has on the whole steadily increased. In 1900 the deficit amounted to 61·6 million roubles. In 1902 it even rose to 114, and in 1904 to 92·7 million roubles (over 9,000,000*l.*). In addition to this the fact has to be taken into account that the 1904 deficit would be far greater if the Minister of War had not paid the Minister of Railways out of foreign loans for all transport of troops during the war.

For the pleasure of possessing railways, and apart from the cost of construction, the Russian Government has paid an annual sum amounting—in the eighteen years from 1887 to 1904—to a total of 758 million roubles, or 1,637 million marks (nearly 82,000,000*l.*).

During the last five years the Russian Government has paid an annual average of 186 million marks (9,300,000*l.*) towards the working of its railways.

<sup>1</sup> *Rapport du Ministre des Finances à S. M. l'Empereur pour l'exercice 1906*, p. 46.

In all probability the Russian Government will pay within the next ten years two milliard marks (100,000,000*l.*) towards the working of its railways.

If the Russian Government were to present all its railways to an international financial syndicate on the condition that it must raise the dividends on the Russian railway loans, this finance committee would have to raise the annual sum of 186 million marks (9,300,000*l.*). In order to get rid of the carelessly undertaken obligation to work the Russian railways, the international finance committee might safely pay the Russian Government four milliard marks (200,000,000*l.*) compensation. The obligation to work the railways and to pay the dividends of the railway loans would otherwise cost the financial syndicate in thirty years' time 5,580 million marks (279,000,000*l.*). Even if the Russian Government were willing to pay half of the railway loan dividends, which in 1904 amounted to 136·1 million roubles, or 294 million marks (14,700,000*l.*), the syndicate would come to grief by the transaction. According to Professor C. Ballod, Witte has within the last ten years converted into State property just those lines which did not pay, or were deep in debt, while the paying lines were left to private enterprise. Now, one-third of the Russian railways is still owned by private companies.<sup>1</sup> The

<sup>1</sup> Carl Ballod's discussion of my book in Schmoller's *Jahrbuch für Gesetzgebung*, 1905, 4. Heft, p. 470.

Siberian railway net of close upon 5,100 kilometres (about 3,180 miles), which is State property, hangs like a leaden weight on the neck of Russian State railways. Owing to the unfortunate termination of the Japanese war, by which the largest part of the East Siberian railway—that is to say, the last section of the Siberian line—has come into Japanese possession, the existing deficit of the Siberian State railways is likely to become permanent.

Apart from the present revolution, the railway deficit is, so to speak, a guarantee for the continuation of the gigantic deficit of the State finances, which must be called the greatest deficit in the history of finance.

#### THE BREAKDOWN OF THE RUSSIAN GOLD STANDARD

The approaching event of the insolvency of the Russian State will terrify the whole world. But in the midst of all the bankruptcies and collapses which will follow this event, our sympathy is mainly drawn to the breakdown of the Russian gold standard. Even to-day, it is like a magnificent mansion which is in flames.

Will the international firemen succeed yet once again in saving this work of a high civilisation, this pride of a semi-Asiatic despotism, for some little time from the onslaught of barbarians? It is sad

to reflect upon the fact that the Russian gold standard is on the verge of collapse.

This is not the time to enter upon a controversy as to whether it was right to build up so gigantic and magnificent a structure in so dangerous a place. It was an attempt like that of Peter the Great, when he tried to accustom the Russian people to the idea of the ocean by building St. Petersburg. It was a necessary result of the unstable imperial policy which dreamt of world-wide dominion.

On the foundation of three-field farming, with its fallows; on the shoulders of the famishing peasant population numbering 115 million individuals; in the centre of the darkness of superstition and hatred of all progress, Sergius Witte has built up this gigantic work of civilisation. And as Peter the Great forced hundreds of thousands of people with an iron hand into the building of his capital, so the dazzling structure of the Russian gold standard has been made possible at the expense of the physical and mental well-being of a hundred million Russian peasants. As long as Russian finance gave its whole attention to the amassing and retaining of its gold treasures at the Russian Imperial Bank, not a rouble could be spared for the improvement of educational and agricultural methods. The creation of the gold standard from 1896 to 1899, and its support, took up the financial strength of the Russian Government to such an extent that nothing

remained for purposes of civilisation. It was the financial mobilising of an Imperial policy contrary to the laws of progress and of the world, and therefore it was from the outset foredoomed to failure.

A country with a paper currency cannot easily obtain large loans from abroad, even though it gives the promise of repayment in gold. While Russia had a paper currency it had to obtain at great sacrifice the gold for the payment of the coupons on its gold loans. Witte saw that the change from a paper to a gold standard meant widening and cheapening the Government credit of Russia. The Russian gold standard and gold treasure were intended to be an unlimited letter of credit drawn on other countries.

At its highest prosperity the amount of gold in the Russian Imperial Bank (including bills of exchange and credit) in 1903 (803·7 million roubles or 1,736 million marks, or 86,800,000*l.*) has only been exceeded by the gold at the Bank of France, which amounted to somewhat over two milliard marks (100,000,000*l.*). On the other hand, it was more than twice the amount at the Bank of England (703 million marks, or 35,150,000*l.*) and of the German Imperial Bank (about 32,500,000*l.*).<sup>1</sup> Added to this, the Russian Imperial Treasury had gold to the amount of 550 million marks (27,500,000*l.*), and

<sup>1</sup> Karl Helfferich, *Das Geld im russisch-japanesischen Kriege*, p. 29.

there was plenty of gold in circulation. Altogether the Russian Empire held close upon four milliard marks (200,000,000*l.*) in gold and gold coin.

'I am going to pay for everything in gold,' said the Russian Government. 'We pay for everything in gold,' said the inhabitants of the Russian Empire. The Government pointed to its gold credit at the Imperial Bank and at the Imperial Treasury; the private individual pointed to the gold in circulation, and to that at the Imperial Bank. Perchance they are saying this still; but even their best friends at Berlin and Paris trust them no longer. The conditions imposed by the Berlin-Russian committee on the Russian Government on the occasion of the exchange of treasury bonds of May 1905, for new treasury bonds, issued by order, of December 9, 1905, were of so unusual a nature that they represent a strong doubt as to the continuation of the Russian gold standard.

In a special chapter on 'War and the Value of the Rouble,' Professor K. Helfferich, counsellor of legation, in a book which appeared in November 1905, rightly praises the stability of the Russian gold standard, even during the great trial of the war. During the entire war the value of the rouble never sank below the par of 216 marks for 100 roubles at the Berlin Stock Exchange.<sup>1</sup> In September 1905,

<sup>1</sup> Karl Helfferich, *Das Geld im russisch-japanesischen Kriege*, p 180.



the figures rose as high as 216·70. Although the Russian Imperial Bank redeemed its notes without delay till December 1905, they fell for the first time, on December 7, 1905, at the Berlin Stock Exchange below the level of the gold standard. Since then they have fallen below 216, in December 1905, and January and February 1906; Russian 100-rouble notes stood then steadily at from 213 to 214½ marks. At St. Petersburg, however, they stood much lower, at longer terms. In January 1906, the notes for June had fallen to 206 and 207. The reason for this fall in the price of the Russian paper rouble is the distrust of the continuation of the Russian gold standard.

The Russian gold standard is surrounded by many more or less immediate dangers. Not without success did the revolutionary committees during the first four months cause a run to be made in all parts of the country on the savings bank and the State bank at all its branches. Their object was to withdraw the gold from the Russian Government and to undermine its credit. It was to the credit of the Russian Government that it firmly withstood the first onrush of the public. But will it be able in future to disarm the distrust of the public by prompt, unhesitating cash payment? The long duration of the revolution weakens the power of the Government.

By Imperial ukase of December 9, 1905, the

Russian Minister of Finance was authorised to issue 400 million roubles Treasury bonds. At the same time the Russian Imperial Bank received orders to redeem at any time, and in gold, Russian Treasury bonds held abroad, should they be presented for payment. After this official announcement, Treasury bonds to the amount of 235 million roubles had been presented in June 1906. Of these, 93 million roubles had been held in Germany and 100 million roubles in France. It is impossible to say whether further payments have been made since that date. The sudden demand for payment in gold of 400 million roubles or 823 million marks (41,150,000*l.*) Treasury bonds by the Russian Imperial Bank constitutes a serious danger to the Russian gold standard.

The banks abroad which had accepted these bonds were obviously anxious as to whether payments would still be made in gold. Thus, the gold of the Russian Imperial Bank has been mortgaged, so to speak. Although the Russian Government succeeded some time after this extraordinary financial transaction in raising a loan of two and a quarter milliard francs (90,000,000*l.*), they have not succeeded in redeeming all the Treasury bonds to which attaches the very awkward obligation of immediate payment in gold. The Government have, indeed, been obliged to ask for an extension of the period for redeeming the Treasury bonds held abroad. By decree of the

Minister of Finance this period has been extended for a year, namely, till December 31, 1907.<sup>1</sup> It is rumoured that the 100 million roubles Treasury bonds held in France are to be redeemed on January 13, 1907, out of the 90,000,000% loan. This is not probable, since 677 million roubles of this loan are included in the expenditure for 1906. But however this may be, the mortgaging of the gold treasure of the Russian Imperial Bank to the extent of 823 million marks (41,150,000%) is a measure which may have the most serious consequences. The extreme financial difficulties of the Russian Government cannot be more strikingly illustrated than by the fact of the existence of this danger to the gold standard which has arisen, notwithstanding the loan of 90,000,000% in April last.

The disturbances in commerce brought about by the revolution cause the export of goods to decrease. Even without the revolution Russian commerce would, in the opinion of eminent authorities, have been threatened by the danger of the surplus of exported goods (apart from precious ores) over imported goods, and would in the course of years not be able to pay to foreign countries the increasing gold debt. P. Rohrbach has rightly drawn attention to the fact that the export of grain and other agricultural products decreases in proportion as the

<sup>1</sup> *Frankfurter Zeitung*, October 17, 1906.

population increases, and as the under-feeding of the rural population discontinues. All experts on Russian affairs agree that the Russian peasant and his family do not have enough to eat. The whole of the Russian crops, even with the best harvests, do not suffice to feed the Russian nation. To clear-sighted people this fact constitutes the real cause of the collapse of the gold standard, the State bankruptcy, and the outbreak of the revolution.

If by some marvel it should be possible to make the Russian peasant population more capable and intelligent, they would have to be better nourished, and there would be no grain or other agricultural products for export. But as improvements can only be made very gradually, every surplus resulting from improvements will be applied to better nourishment. Other than agricultural products, Russian commerce will not even in the future be able to export. It appears, therefore, out of the question that—quite apart from the revolution—Russian exports should increase to any appreciable degree during the next decades. In no case could the surplus of exported goods over imported goods increase. How, then, is the increasing foreign gold debt to be paid? The gold is bound to disappear gradually. This makes the breakdown of the gold standard a certainty. The bankruptcy of the State is unavoidable. The autocratic Government would probably have tried to prevent such a catastrophe by increasing

the burden of taxation. But in that case a revolution was inevitable.

If the farmer has money, everybody has money. This saying is most applicable to agrarian States, like pre-revolutionary Russia and pre-revolutionary France, four-fifths of which live by farming. If the Russian peasant were a capable, well-educated, well-fed farmer, then the Russian Minister of Finance, Kokovzeff, would have been right when he called my book on 'The Future of Russia and Japan' twaddle. If the Russian soil yielded three times as much as is actually the case, Russia would have a magnificent export trade in agricultural products of various kinds, and flourishing industries as a result of its inland sale and its capable working classes. If this were so, then the gold standard would not collapse, the Russian State would not become bankrupt, and, if the Government were only half as sensible as the peasantry, a revolution would be impossible.

When the Russian gold standard has collapsed, and the State has ceased to be solvent, there will probably be found historians in future years and centuries who put both events down as results of the war and the revolution. In order to prevent such a mistake, I have, in Chapter IV., summed up the only real causes. The actual sequence of events is that the Russian revolution becomes the immediate cause of the breakdown of the gold standard and the insolvency of the State.

THE STATE BANKRUPTCY AS THE MOST POWERFUL  
WEAPON OF THE RUSSIAN GOVERNMENT

In face of the wretched state of Russian finance even the unexpressed threat of a State bankruptcy is an effective way to squeeze further milliards from the countries which have taken up large shares of Russian State securities. But even the highest rates of interest, the lowest prices, and the shortest terms of repayment, will no longer be able to keep flourishing French and German commerce subservient to Czardom. The French and the Germans will realise more and more clearly that they have too long acted as working bees for the Russian drones.

As soon as the milliards of foreign loans cease to fly smoothly towards the Russian State, and as soon as its power in the interior begins to suffer from the revolution, or its power abroad begins to wane, the proper moment will have arrived to pronounce the repudiation of the foreign State loans.

As long as twelve years ago one of the greatest German national economists explained to the students in the lecture room that the Russian State, by its large foreign loans, was providing itself with a powerful weapon against foreign States. The money (he explained) emigrated to Russia and strengthened the power of the Russian State, while the foreign creditor received only paper as a counter-value,

and this paper retained its value only as long as it suited the Russian State. This national economist was the most cautious, thoughtful, and experienced among all the masters of the science of commerce—a man who looked upon the history of the world with the most perfect objectivity, and who had never in his life given way to eccentric ideas. His name is Wilhelm Roscher, founder of the historic school of commerce.

In explaining the political differences between taxation and loans in his system of financial science, he points to the loan as the means by which the immediate power of the Government is undoubtedly advanced.

‘In foreign loans,’ Wilhelm Roscher<sup>1</sup> wrote, in 1894, ‘this is plainly the case, since the entire home capital of a nation remains as an untouched reserve fund. A State like Russia, the creditors of which are to a large extent foreigners, would, in case of a bankruptcy caused by war, hold a weapon which would be for the moment doubly effective, though in the long run it would become dangerous.’

The twofold effectiveness of this weapon supplied by bankruptcy consists in this, that the commercial strength of other countries is diminished, and the strength of Russia is increased to the extent of the amount of the loan from abroad.

<sup>1</sup> W. Roscher, *System der Finanzwissenschaft*, iv. Auflage Stuttgart, 1894, p. 582.

As soon as the existence of a nation lies in the balance, only tactical or strategical points of view are decisive. There has not yet been a religion, however excellent it might be, which has exercised sufficient influence at such moments to prevent a State from engaging in war by the commandment 'Thou shalt not kill.'

'A State bankruptcy,' writes Wilhelm Roscher, 'is in financial affairs what a revolution is in politics: it is always a symptom of a serious national disease, and also always in itself a great misfortune for the commerce as well as for the soul of a nation; but in desperate cases it is occasionally the lesser evil, namely, the beginning of a cure. A doctrine which would rather see a State perish than go bankrupt cannot be seriously meant.'<sup>1</sup>

Does this rotten State called the Russian Empire, and admired up to the present for its mighty power, possess any other weapon by means of which it could obtain an equal success as by a State bankruptcy? As long as the autocracy of the Czar existed, the world saw in the Russian army, in its warrior force of over 400 million men, a powerful weapon even after that army had again and again been defeated in Eastern Asia. After the Czar had capitulated to the revolution, and had relinquished

<sup>1</sup> W. Roscher, *System der Finanzwissenschaft*, iv. Auflage, Stuttgart, 1894, p. 611.



his autocracy; after portions of the army, in various parts of the country, have mutinied, the weakness of the Russian army is plain to one and all. By means of this army the Russian State will obtain no success of any kind, either in the East or the West, for some decades to come, whoever may be at the head of affairs. This army is no powerful factor with which Germany or Japan has carefully to reckon. The last and only weapon left to the Russian State is State bankruptcy.

France is the country which will be hit hardest by Russian State bankruptcy, for it holds over eleven milliard francs (440,000,000*l.*) Russian State securities. This loss of eleven milliard francs will lie heavily upon France. According to the estimates of the most eminent French national economists the entire French national wealth amounts only to 204 milliard francs (8,160,000,000*l.*), of which 100 milliard francs (4,000,000,000*l.*) consist of landed property.<sup>1</sup> Included in the 104 milliard francs (4,160,000,000*l.*) of movable capital are thirty milliard francs (1,200,000,000*l.*) French State securities, and eleven milliard francs (440,000,000*l.*) Russian State securities. Thus, a complete Russian State bankruptcy would mean a loss to France of nearly a tenth part of its entire movable national wealth.

<sup>1</sup> M. Yves Guyot, *Evaluation de la fortune privée*. Institut international de statistique, Paris, 1905, p. 22. Further details can be found in Rudolf Martin's *The Future of Russia and Japan*, pp. 126 and 127.

Authorities are agreed that the national wealth of Germany is considerably greater than that of France. But the German nation numbers sixty million individuals, and the French only thirty-nine million. My estimate of German national wealth is 215 milliard marks, or 270 milliard francs (10,750,000,000*l.*).<sup>1</sup> Of the German national wealth some 100 milliard marks are probably in landed property. When, of the 115 milliard marks (5,750,000,000*l.*) of movable property, all the two and a half milliard marks (125,000,000*l.*) invested in Russian State securities are suddenly lost, the loss will be greatly felt.

On the other hand, it would be a very good thing for Russian national wealth, which cannot be estimated at more than 100 milliard marks (5,000,000,000*l.*), if it were suddenly increased by the seventeen milliard francs (680,000,000*l.*) which hitherto were held by the Russian nation only as a loan. Of the 823 million marks (680,000,000*l.*) which the Russian State has annually to pay in dividends, 575 million (28,750,000*l.*) go abroad. The cessation of this tiresome dividend to foreign countries would make the Russian balance-sheet much more satisfactory. The cessation of the entire dividend of 823 million marks would give the Russian State Budget a far more pleasing appearance than that

<sup>1</sup> See also E. von Halle, *Weltausstellung in St. Louis*, Amtlicher Katalog, *Ausstellung des Deutschen Reiches*, p. 34.

of the Budget estimate for 1906. Only, it is to be feared that in the storm and stress of the great revolution an adjustment of the securities of the National Debt will be of little importance as compared to the adjustment which probably will become necessary in the course of years in connection with the paper money.

Germany would be even far more involved in the Russian State bankruptcy if Russia had succeeded in raising a new loan abroad immediately after the Portsmouth peace declaration, on August 30, 1905. About one-third of this loan was to have been raised in Germany.

This loan was originally to have amounted to two milliard francs (80,000,000*l.*); then to 1,800 million francs (72,000,000*l.*). In the third week of October an agreement, between the financial groups interested in this loan and the Russian Government, was close at hand, the agreement concerning a 4 per cent. loan of 1,250 million francs (50,000,000*l.*) of which France was to take 640 million (25,600,000*l.*), Germany 410 million (16,400,000*l.*), England and the United States each 100 million (4,000,000*l.*)<sup>1</sup> But it was already too late; the favourable opportunity had been missed; the wheel of the revolution was turning too quickly; the prices of Russian securities began to waver.

<sup>1</sup> K. Helfferich, *Das Geld im russisch-japanischen Kriege*, Berlin, 1906, p. 118.

When my book appeared, on August 22, 1905, the prices of the Four per Cent. 1902 Securities stood at 88.90. The peace proclamation being favourable for Russia, the price rose to 93.20 on August 31; in October it wavered between 87 and 88. Whenever prices fell, a number of newspapers which were on the side of Russian finance brought the accusation, which was levelled at me, that the unfounded statements of a self-instituted national economist and statistician, in a reckless and fanciful book, were the cause of the distrust of the public towards Russian stocks. The enormous number of newspaper articles which appeared in September and October on the subject of my book, as well as the numerous letters and inquiries from holders of Russian State securities, show me that indeed I am, to a large extent, responsible for the fact that the German Empire after the peace of Portsmouth did not again lend the Russian State half a milliard marks (25,000,000*l.*) at a price of 88 per cent. The distrust which my book has carried to all classes of the population was the reason why the loan was put off week after week and month after month. On September 9 the Russian Minister of Finance, Kokovzeff, made the following statement to the representatives of the 'Pester Lloyd' and the 'Wiener Tageblatt,' who had sent him several articles from German papers on my book:

'I shall not confine myself to the refutation of

Martin's statements, but I shall take the opportunity at the end of the year, in a statement to the Czar, and publicly before the Imperial Duma, to bring about an explanation concerning the extent of the systematic injuries to Russian credit by our own radical press and by part of the foreign press.'

As I have pointed out elsewhere, the 'Nord-deutsche Allgemeine Zeitung' gave a prominent place in its columns, on September 3, 1905, to the statement that my book had caused uneasiness in German capitalist circles interested in Russian stocks. The 'Post' also explained, on September 12, that my book was responsible for important sales. The same statement appeared in numerous papers connected with the Stock Exchange.

After all this, I cannot but plead guilty to having induced a large number of German capitalists, between August and November, to sell Russian securities while they stood at from 88 to 93. On December 16, 1905, Russian 1902 State Securities had fallen to 78. In like manner Russian Railway and Industrial Securities have fallen. I hold that I have rendered a service to tens of thousands of Germans by preventing them from suffering losses over Russian Government bonds and other securities which they were able to sell at prices standing 10 per cent. higher than they stood on December 16, 1905. Owing to my book, over 100 million marks (5,000,000*l.*) were sold to other countries at

considerably higher prices. What I consider the greatest success of my book and my agitation is the fact that I have succeeded in preventing the German Empire from participating in the gigantic loan of 90,000,000*l.* in April last. The Russian Government had originally, in February 1906, planned a far larger loan of some two and three-quarter milliard or even of three milliard francs (120,000,000*l.*). This loan was to produce at least 850 million roubles, while the 90,000,000*l.* loan has produced only 657 million roubles. Of the original loan it was hoped that about one milliard francs (40,000,000*l.*) would be accepted in the German Empire. The Russian Government had, however, reckoned without their host. Germany declined to have anything to do with this loan. Hereupon the loan to be raised was put at a lower figure, but the individual states concerned in it had to participate to a larger extent than they had first intended. Three months later, in July 1906, when the shares of the new Russian loan stood 10 per cent. below par in Paris, London and Vienna, everybody in Germany was glad that the 40,000,000*l.* for which Russia had asked, had remained in Germany.

The Press has repeatedly discussed the question as to the extent to which my books on the future of Russia have been the cause of the German Empire holding entirely aloof from the latest Russian loan. There is no doubt that all political parties in the

German Reichstag, from the extreme Right to the uttermost Left, are agreed in their disinclination to the floating of a new Russian loan in the German Empire. It would not be easy to find a question of equal importance to commerce and politics which all sections of the Reichstag regard so entirely from the same point of view. That this change of public opinion occurred only after the appearance of my first book, 'The Future of Russia and Japan,' in August 1905, is beyond any doubt. The extent to which my book has helped to bring about this change of opinion may be gauged by the force and the number of the newspaper attacks with which it was met. To-day it may be assumed with certainty that a new Russian loan before the Russian State bankruptcy is an impossibility in Germany. Public opinion in Germany is not inclined to hurry to the assistance of the State which is being drowned in the flood of its debts.

The meeting of the Russian Parliament will not hinder but hasten the discontinuance of the payment of interest. Professor Hans Delbrück, in discussing my book in the 'Prussian Year Book,' has rightly pointed out that the future Russian Duma will probably aim straightway at the reduction of interest on its loans. It will realise that the reduction or discontinuance of interest is the only means for obtaining funds for necessary reforms and educational improvements. Whence is the Russian

Government to take the money for the improvement of elementary education, which has been entirely neglected, and for putting farming on a better footing? If Russia had not fallen a prey to an open revolution, a complete State bankruptcy, the entire discontinuance of the payment of interest might have become the means for raising Russian commerce to a much higher level within the next thirty to fifty years. But, in the terrific destruction consequent upon this revolution of vast inward antagonisms, the advantage of the discontinuance of the payment of interest disappears before the enormity of the losses. The revolution will shortly cause the stoppage of payment of interest. But in its Asiatic, destructive, intoxicated fury it will not acknowledge the healing power of the State bankruptcy, and in its mania for destruction it will continue till not one stone is left upon the other of this structure of East European culture, which it has taken thousands of years to raise.

#### NECKER AND WITTE

At the beginning of the Parliamentary era both Witte and Necker had to retire for a second time from their powerful position in the Government. But the Prime Minister Sergius Witte retired from his position before the meeting of the Russian Imperial Duma, on May 10, 1906. As was the case all over Russia during the weeks



preceding the meeting of the Duma, so all France was occupied during the weeks before the assembly of the States General on May 5, 1789, with the question as to whether the Minister of Finance, the soul of the Ministry, would remain in power. Necker, the French Minister of Finance, did remain in power for the time being. Only on Sunday, July 12, 1789, the rumour ran through Paris that Necker, the people's friend, had been dismissed, and that a new Ministry had been formed. On Monday morning, July 13, all Paris began to arm. Early on July 14 the revolutionary crowd began the siege of the Bastille, which fell about 5 P.M. Necker was recalled the day after and resigned for the third and last time in September 1790.

When Witte resigned his powerful ministerial position for the second time, in the spring of 1906, he was only fifty-seven years old. Jacques Necker also was fifty-seven when the administration of French finance was for the second time taken out of his hands. Both statesmen were in the full enjoyment of their mental and physical powers, and it was not aversion to powerful positions which caused them to resign a second time. Both, however, were fully aware of their respective monarch's wish that the dangerous experiment of parliamentarism should be tried without their assistance. The Paris Exchange in the spring of 1906 was, on account of its interest in Russian

values, almost as vexed at Witte's retirement as it was in the spring of 1789 at the retirement of the widely popular French Minister of Finance.

Both statesmen had the entire confidence of the *haute finance* and of all state creditors during their second term of office. Necker, however, had also the entire confidence of the nation and of the newly-elected Parliament, while Witte was aware that the majority of the Duma was opposed to him. For this reason he was not sorry to go. On July 12, 1789, Necker was still the advocate of liberal ideas, the loadstar of parliamentarism, while Witte had lost the confidence of the democratic party forming the majority of the Duma. Necker's second retirement was the signal for the storming of the Bastille and the revolt of the army. No event of any importance followed Witte's second retirement. Even in this connection the Russian revolution is seen to be more slow and deliberate than the short, impulsive revolution of the French hotapurs.

The pre-revolutionary Minister of Finance of Louis XVI., Jacques Necker (born 1732),<sup>1</sup> and the pre-revolutionary Minister of Finance of Nicholas II., Sergius Witte (born 1849), are both of German descent. Necker was the son of a professor at Geneva; Witte is the son of an official, and mem-

<sup>1</sup> Adalbert Wahl, *Vorgeschichte der französischen Revolution*. Band, Tübingen, 1905, p. 263

ber of the Viceregal Council for the Caucasus at Tiflis. Necker came to Paris as a young man without means. Owing to great industry, sobriety, and moral rectitude—combined with profound astuteness and burning ambition—he soon succeeded in amassing an enormous fortune. As the head of the firm of Thellusson and Necker he played a very important part in the world of finance.<sup>1</sup> Whenever a clever man amasses a large fortune within a short time the world is only too ready to attribute to him Stock Exchange manœuvrings which are not consistent with old-time morality. Necker has not escaped this fate. But there are no proofs.

Sergius Witte also is a self-made man. He began his career as a railway official, and rose to the position of a director-general of the South-Western Railway Company.

Necker, as well as Witte, first attracted public attention in their own country by commercial writings. Necker wrote two books, the first on Colbert (1773), the second on the grain trade (1775).<sup>2</sup> Witte's first writings were on the subject of the foundations of a general railway tariff.<sup>3</sup> Both works are useful, but not original or epoch-making. Nor are they of the sort which attract the attention of a whole nation. Expert economists they were

<sup>1</sup> Adalbert Wahl, *Vorgeschichte der französischen Revolution* i. Band, Tübingen, 1906, p. 263.

<sup>2</sup> *Ibid.* p. 264.

<sup>3</sup> Geoffrey Drage, *Russian Affairs* p. 66.

not. Witte's work was technical. Necker's writings, which are of more general interest, are rich in empty phrases.

Necker and Witte are both Protectionists. Witte thereby agreed with a popular point of view. It is true that, for pre-revolutionary France, Protection was not of the same importance as it was for Russia before the revolution. Every Russian success during the last twenty-five years is first and foremost due to its system of Protective duties.<sup>1</sup> When, in June, 1777, Necker took up the management of French finance, under the title of director-general, the public, and especially financiers, were delighted with the monarch's choice. He was welcomed as the banker, as the native of Geneva, hailing from the town which since Rousseau had been looked upon as the real home of liberty. Added to this Necker had distinctly, though cautiously, expressed his admiration for English institutions.<sup>2</sup> When Witte became Russian Minister of Finance, in 1893, the entire Ministry assumed a democratic character. The officials wore ordinary clothes instead of uniforms, and, instead of communicating with each other by writing, they began to do so by word of mouth.<sup>3</sup> From the very

<sup>1</sup> Rudolf Martin, *Die Eisenindustrie in ihrem Kampf um den Absatzmarkt. Eine Studie über Schutzsölle und Kartelle*. Leipzig, Duncker und Humblot, 1904.

<sup>2</sup> A. Wahl, p. 266.

<sup>3</sup> Professor M. V. Reusner, *Die russischen Kämpfe um Recht und Freiheit*. Halle a. S., 1905, p. 60.

first Witte had the full confidence of the *haute finance*.

Necker and Witte both became before long the most influential members of the Ministry. As experienced men of the world they reckoned with the existing order of things, and avoided unnecessary friction with reactionary colleagues. But the influence of both men was soon extended to the sphere of foreign politics as well as to that of military and naval affairs. Far-sighted men though they were, they were not sufficiently long-sighted and powerful to grapple successfully with the gigantic tasks of the day. Both were by their personal position closely connected with the progressive tendencies of the Third Estate, the citizens and industrials who had grown rich. Both understood perfectly the pulse of the time, but they were not able to regulate it. Both were artists in financial affairs. As leaders of financial matters they saw in the outward brilliancy of finance the brilliancy of the Government and of commerce.

These statesmen resemble one another in this also, that they retained their fatal optimism, their incredible self-confidence, and their extraordinary vanity, even when matters were at their worst. In May 1789, Necker said, 'It was mere child's play to put the State finances into order.'<sup>1</sup> At that time Necker was Minister of Finance, but he did not

<sup>1</sup> H. Taine, *Origines de la France Contemporaine*, vol. ii. part 1, second German edition, Leipzig, p. 216.

manage to solve this problem, 'easy as child's play' though it was.

'I know how Russia can be saved, and I shall save it,' said Sergius Witte, in January 1906, to a deputation of the free Conservative party.<sup>1</sup> Witte was at that time Prime Minister, but he did not succeed in saving Russia.

It would be going too far to deny to the two statesmen the sincere desire to introduce economic and social reforms; but their activity in this direction was only superficial, and never went deep enough to touch the true cause of the difficulties. They both lacked real knowledge of agriculture, and especially of the rural population; they had no natural taste for agriculture.

Necker was sincerely in favour of reforms, for he was in sympathy with the people, and desired the alleviation of material wants. But this inclination had its limits: it must never endanger his ministerial position. His motto was, 'Cautious Reform.' Necker altered the organisation of the administration and began to improve the taxes. He freed the industries from useless fetters. He made a principle of attacking the old ground-landlord constitution. In other respects also he tried to improve the condition of the rural population.<sup>2</sup> The extent of his influence on all branches of State administration and reforms may best be

<sup>1</sup> *Schlesische Zeitung*, January 1906.

<sup>2</sup> A. Wahl, p. 271.

gauged by his institution of provincial assemblies. At first provincial assemblies were introduced in two provinces in 1878 and 1879. These assemblies corresponded somewhat to the Russian Zemstvos.

For similar reasons Witte also has always been a cautious reformer. It is not true what is often stated—namely, that Witte has done nothing at all for agriculture. As Minister of Finance he has advanced money for the technical improvement of agriculture; but the sums advanced were very modest. He has given special attention to facilitating the export of agricultural products. By instituting the Bank for Nobles, and the Bank for Peasants, as well as by the grants which the State pays to famine districts, Witte has made his influence favourably felt in agriculture.<sup>1</sup>

But it is not their reforms which have made Necker and Witte famous. Their reforms are infinitesimal; compared to the tremendous danger in which the community stood, these reforms have no importance whatever.

Necker and Witte have become historic figures by reason of their genius for contracting loans. For this and this only, the Ministers of Finance are made in States which are nearing a truly great revolution. How did Necker rise in French finance? According to Professor Adalbert Wahl it was a stroke of genius which made Necker conduct the

<sup>1</sup> Geoffrey Drage, *Russian Affairs*, p. 87.

enormously expensive war which France, together with North America, was waging on England (1778-1783) by means of loans only. 'This,' says A. Wahl, 'aroused the admiration of all Europe at the time, but it brought about nothing whatever except the condition of financial affairs which led to the Revolution.'<sup>1</sup> Necker retired for the first time in 1781, two years before the war was over. The entire cost of this expensive war against England amounted, for France, to 1,600 million francs (64,000,000*l.*).<sup>2</sup>

Before the beginning of the Russo-Japanese War, on August 29, 1903 Witte had been relieved of his duties as Minister of Finance, and had been made President of the Ministerial Committee. The expense of the war with Japan (February 6, 1904, to August 30, 1905) Russia has defrayed entirely from loans.<sup>3</sup>

During the two years 1904 and 1905 the war with Japan has cost the Russian State 1,966 million roubles, or 4,247 million marks, or 5,309 million francs (212,350,000*l.*).<sup>4</sup> As nearly the whole of the Russian army is still in the East, and the keep of the Russian prisoners has still to be paid to the Japanese Government,

<sup>1</sup> A. Wahl, p. 268.

<sup>2</sup> *Ibid.* p. 279.

<sup>3</sup> Karl Helfferich, *Das Geld im russisch-japanischen Kriege*, 1906, p. 184.

<sup>4</sup> Report of the Russian Imperial Comptroller, from the *Vossische Zeitung* of Feb. 14, 1906, evening edition.



the Russian Budget estimate for 1906 still had among the extraordinary expenditure an item of 405 million roubles, or 1,080 million francs (43,200,000*l.*) for the war. Thus, the entire war against Japan will cost the Russian Government about 6,389 million francs (255,560,000*l.*)—that is to say, four times the amount of the ruinous war which France fought against England (1778–1783). The Franco-German War of 1870–1871 cost the French Government, including the five milliard francs (200,000,000*l.*) war indemnity to Germany, no less than ten milliard francs (400,000,000*l.*).

By the Peace of Versailles, in 1783, in which England had to acknowledge the independence of the United States, France practically remained the victor in the war with England. But going to war against England is always an expensive undertaking. Russia, too, has been obliged to make this experience when going to war in the Far East against England's ally, Japan. Expenses increase with distances. In the long run the enormous expenses of this war will contribute considerably, not only to the shattering of Russian finances, but also to the shattering of the Russian State.

Even before the great war both France and Russia were deep in debt, and Necker's and Witte's tasks were extremely difficult from the outset. Under Louis XIII. (1610–1643), under Louis XIV. (1643–1715), and under Louis XV. (1715–1774),

the National Debt of France had repeatedly been greatly diminished by the simple means of a State bankruptcy. Under Louis XV., in 1770, the greater part of the National Debt was for the last time diminished, by about half, through the notorious Terray bankruptcy.<sup>1</sup> In the reign of Louis XVI. (1774-1792), during the years 1776-1781, the National Debt of France had been increased by 1,950 million livres, or 1·5 milliard marks (over 75,000,000*l.*).<sup>2</sup> It amounted at the outbreak of the French Revolution to 4,368 million livres or francs (174,720,000*l.*).<sup>3</sup> The Russian National Debt also has incessantly increased during the last sixteen years, in spite of all conversions, which caused a lowering of interest.

Which of the two States was the more deeply indebted at the beginning of the Revolution? We have already answered the question by pointing to Russia as the greatest debtor in the history of the world. While nearly three-quarters of the Russian National Debt have been raised abroad, the French National Debt had been contracted entirely in the country itself. If France had had an ordered administration and a good system of taxation, the

<sup>1</sup> A full explanation of these State bankruptcies will be found in the first edition of my book, *The Future of Russia and Japan*, Berlin, 1905, p. 88.

<sup>2</sup> W. Roscher, *System der Finanzwissenschaft*, iv. Auflage, Stuttgart, 1904, p. 681.

<sup>3</sup> *Ibid.* p. 619

need would not have arisen for incurring national debts to this amount. There was plenty of money in French commerce—only, in the disordered political and social situation in France, no other way than that of raising a loan could be found in which the money might serve the State. The State bankruptcies were, therefore, so to speak, only official receipts for taxes to the creditor, stating that the money had been permanently incorporated in the State exchequer, and had ceased to be part of his property.

This inconvenient system, so French capitalists believed, ceased to exist when Necker became Minister of Finance. 'Under Necker a State bankruptcy is an impossibility'; that was the general opinion, which was firmly rooted in the large well-to-do middle classes. The confidence which the French capitalists placed in Necker reminds one of the boundless confidence which Russian and foreign capitalists place in Witte. It is true Witte has done a great deal to meet the wishes of the *haute finance*.

Apart from a few former unsuccessful attempts at framing an estimate, the framing of estimates was considered in France up to 1781 quite a private affair of finance administration, and the most important of all State secrets. An attempt was made to keep dark both the extent of the expenditure and the revenue, and not even the

Secretary of State knew the real truth about the financial situation.

Then, in 1781, Necker, the Minister of Finance, surprised the world by publishing an account (*compte rendu*) of the state of French financial affairs. The effect of this publication was absolutely marvellous. In a moment Necker's name was on every tongue, and he had become by a stroke of luck one of the most famous statesmen in the world. In this account it could be read that the finances of the country which ten years ago, in times of peace, became bankrupt, had been improved to such a degree during a gigantic and expensive war, that the revenue showed a surplus over the expenditure.<sup>1</sup> Liberal minded as Necker was, he intended by the publication of the Budget to introduce English institutions into France. Ambitious as he was, he intended to attract the sympathy of the educated classes by this publication, and to show to the whole world that his administration was a brilliant performance. Perchance he obtained the consent of King Louis XIV., by pointing out that it would lead to excellent results in foreign politics. French finances were to appear thoroughly sound to all the world, and especially to England, against which country the war was still going on.<sup>2</sup>

According to the general opinion the first publication of the Budget in France was a tremendous

<sup>1</sup> A. Wahl, p. 292.

<sup>2</sup> *Ibid.* p. 482.

forward step on the path of liberal reform leading to constitutional government. Did it occur to any one where this road was really leading? It was leading straightway to the abyss of the Revolution, to the war of all against all. And why? Because this statement of accounts was the greatest web of lies and falsehoods that was ever constructed; because lies are short-lived, and because the crime of hiding a bankruptcy cannot stop the bankruptcy. By the publication of this statement of accounts, as A. Wahl explains, Necker contributed to an absolutely incalculable degree to the awakening of the revolutionary mood in 1787. The more firmly the educated classes had at first believed in the correctness of the statement of accounts, the more fatal was the disappointment, when, under his successors, the fraud could no longer be hidden.<sup>1</sup>

The fraudulent statement of accounts first of all swept Necker himself away. Count Maurepas, the former minister and the most influential statesman in France,<sup>2</sup> joked openly about the untrustworthy document, and shielded the authors of several pamphlets who endeavoured to disclose the great fraud.<sup>3</sup> In order to wipe out this offence Necker demanded a token of the King's confidence, which, however, at Maurepas's suggestion, was refused by the King. Thereupon Necker resigned.<sup>4</sup> Necker's retirement

<sup>1</sup> A. Wahl, pp. 262, 264, 292, and 297.

<sup>2</sup> *Ibid.* p. 210.

<sup>3</sup> *Ibid.* p. 292.

<sup>4</sup> *Ibid.* pp. 294 and 295.

caused general regret and consternation. He remained the idol of public opinion which was as powerful during the last years of French, as in the last years of Russian, autocracy. At his retirement Necker dared to write an insulting letter to the King,<sup>1</sup> which Louis XVI. never forgave him, but which could not prevent his being twice recalled by Louis XVI. to the position at the head of the Ministry of Finance.

In Russia the first attempts at the publication of the Budget date back to the middle of last century. The great attraction by means of which the Minister of Finance, Witte, has drawn more foreign capital towards the Russian State and Russian commerce, is the gold standard.

Under Necker (as far as his ministry of finance is concerned) as under Witte the exchequer was always full. The loans were always raised just at the right moment. The full purse ensured further credit. Necker's successor as Minister of Finance, Joly de Fleury, was obliged to own to King Louis XVI., on March 2, 1783, that there was a large deficit.<sup>2</sup> His frankness lost him the King's confidence, and he was obliged to retire. His successor, Ormesson, had borrowed six millions from the *caisse d'escompte*, a creation of Turgot's. The rumour of this, together with a financial crisis at Paris, caused a large number of holders of the very popular bills of this

A. Wahl, p. 295.

<sup>2</sup> *Ibid.* p. 304.

bank to demand payment. In this embarrassment the bank suspended the payment of its bills for some time by permission of the Government.<sup>1</sup> In difficult situations of this kind ministers of finance are apt to succeed one another rapidly. As Chipoff is the third minister after Witte, so Calonne (since November 3, 1783) was the third minister of finance after Necker. At his entry into office the yearly deficit amounted to eighty million francs (3,200,000*l.*), as he confessed later on, in 1787, before the Assembly of Notables. Clever as he was, he had taken up altogether 653 million francs (26,120,000*l.*). But under Calonne it came to pass, in December 1785, that Parliament, the highest court of law in France, protested violently against a new loan of eighty million francs (3,200,000*l.*). As, under Witte's influence, agricultural inquiries have repeatedly been instituted, so Calonne, in 1785, formed a committee for the study of the agricultural situation. As Witte has often relieved famine districts of taxation, and as, in November 1905, by Imperial ukase, he even reduced the rents of the peasants by half, so Calonne, after the hard winter of 1783-1784, lightened by three million francs (120,000*l.*) the taxes of the provinces which had suffered most, and sent relief to the amount of four million (160,000*l.*).

As Witte in 1898 formed a special department for merchant shipping, and, always intent upon the

<sup>1</sup> A. Wahl, p. 305.

increase of export trade, undertook the administration of sea-ports,<sup>1</sup> so Calonne improved the ports of Cherbourg, Le Havre, Dieppe, La Rochelle, and Dunkerque, enlarged canals and roads, instituted a system of mail boats between France and the United States, and was, in fact, for ever trying to serve the interests of trade and commerce.<sup>2</sup> Calonne and Vergennes, the Minister of Foreign Affairs, also set great store by the establishment of commercial treaties, as is the case with Witte and Lamsdorff, the Russian Minister of Foreign Affairs.<sup>3</sup>

Whose position was the more difficult, that of the French or the Russian Minister of Finance? The French minister's task was the more difficult by far. His difficulty consisted in this, that at that time France could only raise her loans at home. If the France of that period, which was even then a wealthy country, with its fertile soil, its mild climate, its clever, intelligent population, and its excellent geographical position, had commanded part of the credit abroad which Russia enjoys at the present moment, the revolution might never have broken out. All the social contrasts in pre-revolutionary France which helped to cause the Revolution were insignificant compared to those in the Russia of to-day. The internal need for a revolution was not nearly as great as it was in 1905 in Russia. But the

<sup>1</sup> Geoffrey Drage, *Russian Affairs*, p. 312.

<sup>2</sup> A. Wahl, p. 312.

<sup>3</sup> *Ibid.*



lack of credit abroad was fatal for France. In his financial difficulties Calonne was forced, at the end of 1786, to call the Assembly of Notables. This act, as A. Wahl rightly observes, was the signal for the collapse. The nobles and clerics who sat in this assembly opposed the demand for a constitution, and thus caused the beginning of the revolution.<sup>1</sup>

By the dismissal from his position as Minister of Finance, and his call to the Presidentship of the Ministerial Committee in August 1903, Witte became powerless. Owing to the increasing difficulties at home and abroad in which Russia had become involved in the course of the war with Japan, the Czar gave the important task of the peace negotiations into the hands of this statesman, who was respected by all the world, though he was not personally congenial to the Czar. The question of the war indemnity may have been decisive for the Czar's choice, for it was on this that the conclusion of peace chiefly depended. It was the danger of an enormous increase of the National Debt which put the helm of the ship of State once more into this financier's hands. On Witte's advice the Imperial Duma was suggested after the conclusion of peace, and on Witte's advice the Czar, on October 30, 1905, gave the solemn promise that he would resign his absolute autocracy. After Calonne (1783-1787) was done with, and when the

<sup>1</sup> A. Wahl, p. 320.

transactions of the Assembly of Notables had caused the spectre of the Revolution to draw threateningly near, Louis XVI., in 1788, recalled the Necker whom he hated. On Necker's advice the King, on June 5, 1788, took the step more pregnant with fate than any other step of his life, by calling a meeting of the Estates.

When Necker returned to the ministry, in August 1788, the enthusiasm of all French State creditors was similar to that, in September 1905, among all the State creditors of Russia at the moment when Witte, after the conclusion of peace, returned to Russia as the coming man. Hundreds of newspapers, in all languages, slandered my book, 'The Future of Russia and Japan,' during the first days of September 1905, as a perversion of fancy, and held up Witte as the man who was to bring about the great onward movement of Russia on the basis of liberalism. As a result of Necker's recall, French securities rose immediately by 30 per cent.<sup>1</sup> The conclusion of peace, and the confidence in Witte's activity, caused the Russian Four per Cent. Securities of 1902 to rise at Berlin from 87·90 on August 28, to 93·20 on August 31, 1905. Necker's name, during 1788 and 1789, stood for that which Witte's name represents to-day. He was the incarnation of the faith of all liberal elements in the future of the country. To the State creditors he

<sup>1</sup> A. Wahl, p. 320.

represented the guarantee for the continuation of payment of interest, and for the safety of the finances of the State.

But in the book of universal history things are not written in accordance with the hopes and desires of short-sighted statesmen or interested individuals. Witte's name will represent as great a disappointment to Russia and to the world as did the name of Necker. The greater the confidence still is in the safety of Russian prices, and the greater the art which keeps Russian bonds up at all the Stock Exchanges, the more ruinous will be the sudden breakdown of the financial system, and the more serious will be the wounds which the inevitable Russian State bankruptcy will inflict on the German and more especially on the French nations.

The confidence of their contemporaries has given great pleasure to both men. It was the lodestar of their lives. Did it pain them in the same measure, when their contemporaries realised the impotence of the men to whom they had looked for the salvation of the endangered State? Even while the revolutionary movement was in full swing, Witte still made a bid for the favour of the revolutionary crowds. 'Brothers and workers' is the address of Witte's proclamations by which he tried to induce the revolutionary railway strikers to return to work in November 1905, and at the end of November 1905 he declared, as President of the Ministry, at

the Ministerial Council, that the nation had a right to prompt ministerial action. Witte began his ministerial career, in 1892, as Minister of Public Works ; but only now, in the revolutionary hurricane, does he come out with his socialist tendencies. It would have been better if he had actively proved his socialist tendencies from the beginning. If he had steadily advanced the cause of the railway workers since 1892, and had prevented the political striving after a world empire, he would have preserved for his Czar and his people the dominion over the railways which are the most important possessions of the State.

It is not surprising that all the world expected the disappearance of revolutionary upheavals and the avoidance of State bankruptcy under Necker and Witte ; for the mass of mankind, and even of eminent and important people, never recognise the true cause of a great movement. The only thing which is perhaps surprising is that neither Necker nor Witte ever confessed their inability to master the movement. For surely they must have been best aware of their own superficiality and incompetence. They had only to look back over thirteen years—Necker to 1776, and Witte to 1892—when they took the position of Minister of Finance, and stood face to face with the great upheaval without realising its existence ; without being able to dominate it, and without the suggestion of any means by which it

might be prevented. In thirteen years of serious work a truly great man at the helm of the State can do a great deal to guide the ship of State into the right course. Both men ought to have turned their attention from the first to agricultural improvements, and especially to the conditions of peasant life, for in both countries 80 per cent. of the population made their living by farming. They could not in so short a space of time cause the disappearance of the contrasts which gave rise to the revolution. But they could have smoothed down to some extent the sharp points of all political, social, economical, and national contrasts, and have prepared the way for a better agreement. If once the nation had believed in the seriousness of the reforms which had been in progress for thirteen years; if there had been some slight improvement in the condition of the rural population, the interests of the larger part of the population—that is to say, of the peasants—would once more have been closely interwoven with the future of the dynasty. Then, in the course of some decades of serious work, further progress might have been made in necessary economic and social reforms. After the material and mental level of the peasantry had been raised, political liberties might have been extended, a constitution might have been introduced, and an effective parliamentary system might have been built up on the foundation of a limited franchise.

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The sooner and the more energetically the reforms, especially in agriculture, were introduced the more speedily and easily the revolution, if indeed it had broken out at all, would have been brought to an end.

If Necker was utterly incapable of putting down the revolution of slight contrasts, Witte is far more incapable of mastering the revolution of strong contrasts.

Their inefficiency is characteristic of both men. During their long activity as statesmen they have taken a series of measures many of which, from the outset, bore the stamp of inefficiency. Both must be credited with great activity in the development of industries, trade, commerce, municipal life, and in many respects in agriculture as well. But they did not succeed in raising national economy by the improvements in the industries to the extent of enabling it to meet the great financial claims of the State. Through their system of loans they increased the financial difficulties of the State and caused the necessity of a State bankruptcy. Necker, the product of the system of banking, was as incapable of reorganising the finances of France, as was Witte, the product of the railway system, of carrying through in a strategically perfect manner the most important work of State activity—namely, the construction of the trans-Siberian railway. At the time when Witte was Prime Minister the

dominion of the railway system slipped entirely out of the hands of the State and fell into the power of the revolutionary strike committee.

The insufficiency of the railway system was one of the chief reasons for the shameful defeat abroad, in the conflict with the Japanese, and at home in the conflict with the revolutionaries. Notwithstanding their inefficiency, both men have been positively idolised at the Stock Exchange, till finally the Stock Exchange had to pay the piper. In both cases 'high finance' has exhibited its entire lack of judgment. The case of Necker shows how much more easy it is to accumulate a large private fortune than to reorganise disordered State finances. The inefficiency of both men has become of world-wide historical importance. Necker's inefficiency became the foundation of the French Revolution and Napoleon Bonaparte's march of conquest. Upon Witte's inefficiency is founded the greatest revolution in the history of the world, the destruction of civilisation in Eastern Europe, and the victorious advance of the yellow race perhaps as far as the Ural mountains.

Inefficiency in these cases becomes an event.

## CHAPTER VI

## THE GREAT REVOLUTION

## THE PREDICTION OF THE REVOLUTION

EPOCH-MAKING revolutions, such as the French, or to an even greater extent the Russian, do not come in a night, nor are they the products of chance. Within the borders of the German Empire, as well as in England and the United States, everybody is perfectly justified in going to bed at night untroubled by any anxiety that he might wake in the morning to find himself in the middle of a great general revolution that will go on for whole decades. A revolution has its causes, its early history, its sources. One man realises the approach of a revolution sooner, the other later. The most capable statesman is the first to realise it, the most incapable the last to do so. Every human being whom God has not afflicted with idiocy has some little share of premonition. No Russian mujik is so dense as not to foresee in autumn that winter is at hand, and that winter will be followed by spring. Even swallows have very reliable information on this point, and their statesmen are not easily caught



over a miscalculation which keeps them too late in the inhospitable north. They break off relations at the right moment, and turn towards the sunny south.

Did any one foresee and foretell the French Revolution? As early as the year 1750 D'Argenson predicted a revolution from the excitement prevalent in France.<sup>1</sup> It did not come at the time, but forty years later it came, and mainly for the same reasons. The antagonisms which threatened to lead to a revolution even in 1750, in the reign of Louis XV., had been considerably heightened in the course of years.

On April 30, 1776, shortly before his retirement from the position of Minister of Finance, Turgot wrote a letter to King Louis XVI., who was then twenty-one years of age, which was so lacking in respect that probably no king has ever received a similar letter from one of his subjects. In this letter we read: 'You have no experience, Sire; but will you have more in a week's or month's time? Can we wait for the belated experience to be gathered? Do not forget, Sire, that it was his weakness which caused Charles I. to be beheaded. It is believed, Sire, that you are weak, and there have been moments when I myself feared that your Majesty was suffering from this defect. You stand in need of a guide.'

<sup>1</sup> Adalbert Wahl, *Vorgeschichte der Französischen Revolution*, 1. Band, Tübingen, 1906, pp. 257 and 314.

Louis XVI. kept this letter in a sealed envelope, on which he himself put the inscription, 'Lettre de M. Turgot.'

The hard fights between the Crown and the highest court of law in Paris, the so-called Parliament; the budding idea of liberty and equality and the unfavourable position of the rural population, augured ill for the future. As early as 1787 it was not difficult for the thoughtful reader of newspapers abroad, say at Berlin, to predict the coming of a revolution in France. The need of a reform of the French State, as a result of its financial difficulties and of the meeting of the Notables, was obvious to one and all.

On April 23, 1787, the Paris correspondent of the 'Vossische Zeitung' (in the issue of Saturday, May 5, 1787) reports that several members of the Assembly of Notables were still using hard expressions. 'One of them is said to have maintained at a recent committee meeting that Hugo Capet, before he ascended the throne, had conferred upon the clerics and the nobility all the privileges which they still retain, and which every succeeding king has, at his coronation, sworn to continue. In return for this the clerics and the nobility had promised loyalty. But if the King did not fulfil his obligation he justified his subjects' refusal to fulfil theirs, a state of things which might lead to anarchy and despotism.'

In the impassioned revolutionary writings which, from the year 1780, bear closer and closer resemblance to the revolutionary character of the social-democratic writings of the present day, there are many remarkable predictions of the coming catastrophe. 'A day will come,' one of these revolutionary agitators (Sylvain Maréchal) exclaimed in his pamphlet, 'Fragment,' which appeared in 1781, 'a day will come when you yourselves, you monarchs, will be called before the legal tribunal without attendants and bereft of your pomp: the nations will be the judges of their kings.'<sup>1</sup>

This threat of a revolution was already distinct enough. Without injury to the privileges of the Church and the nobility it was not possible to carry through a reform of French finance, and, through it, of the army and agriculture. The conflict between the King and the Paris Parliament in 1787 led to the banishment, by Royal decree, of Parliament from Paris to Troyes. The nation was on the side of Parliament since Parliament had refused to register, and thereby to sanction, a new stamp duty.

On August 24 1787 the Paris correspondent of the 'Vossische Zeitung' sent the following account of this occurrence (in the issue of Thursday,

<sup>1</sup> Fritz Wolters, 'Studien über Agrarzustände und Agrarprobleme in Frankreich, 1700-1790,' in Gustav Schmoller's, *Staats- und wissenschaftlichen Forschungen*, Leipzig, 1905, p. 109.

September 6, 1787): 'Risings in the provinces were feared, and every attempt was made to suppress them. Here, in Paris, patrols are about day and night, and all clubs and meetings are forbidden. It is believed that the Government will give in to the pressure of popular opinion, in order to prevent an internal war which would be all the more unfortunate as it would lead to a general overthrow.' Thus the Paris correspondent of the 'Vossische Zeitung' foresaw, on August 24, 1787, that a civil war, which might be the result of increased taxation, would lead to a general overthrow—that is to say, that a social revolution would be the outcome of a political one. The newspaper correspondent was the more inclined to take this view as he was aware of the frequent famines in France. Under the date of August 29 he writes to his paper (issue of Thursday, September 13, 1787): 'At Besançon the people have risen because an attempt was made to export grain from the corn warehouses, notwithstanding the fact that the great scarcity of bread has caused the price of the loaf to rise to over four sols. The garrison, which was present to protect the exportation, was obliged to fire upon the crowd, a proceeding by which many lives have been lost.'

After the Three Estates had met, on May 5, 1789, and political excitement was rising from day to day, the cases multiplied in which thoughtful individuals foresaw the importance of the approaching revolution.

One of the most far-sighted was the Prussian Ambassador, Count Goltz, a very able diplomatist and statesman, the like of whom will not often be found again in any country. After the assembly of the Three Estates had become a constitution, the King held, on June 21, a State Council fraught with fate, in which his Majesty decided to oppose the Third Estate, and to uphold the privileges of the two first estates. Although Count Goltz was by no means a democrat, he had, a few days before, sent the following report to the Prussian Government<sup>1</sup>: 'The King has now to decide between the nobility and the Third Estate, since the main points in question are concerned with finance and credit. I should decide in favour of the Third Estate, otherwise the excitement, the scarcity of money, and the famine may lead to unrestrained anarchy.'

The King did not decide in favour of the Third Estate. The Prussian diplomatist had realised the true causes of the French Revolution, and had predicted its course with astounding correctness in his report to his Government. The excitement, the lack of money, and the famine, produced the state of unrestrained anarchy which is called the French Revolution.

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## CAUSE AND OCCASION

Historians of the French Revolution have tried to discriminate between its causes and its occasion.<sup>1</sup> In a similar manner we may discriminate between the cause and the occasion of the Russian revolution. In Chapter III. we have examined the causes of the Russian catastrophe. By the phrase, 'the Russian catastrophe,' we meant the defeat in war, the State bankruptcy, and the revolution. The unfortunate termination of the campaign against Japan is seen to be one of the most important causes of the Russian revolution. Nor has the difficult financial position of Russia been without influence on the granting of a constitution, and thereby on the continuation of the revolution. In face of the financial position of the State the people became more and more daring in their demands, and the Government more ready to make concessions. The same causes which led to the defeat in war, that is to say, to the occasion of the revolution, are also the direct causes of the revolution. A clear separation between the causes and the occasion of the revolution is therefore as impossible in this case as it is always in political and economic events.

But the causes as well as the occasion of the Russian and the French revolutions bear a close

<sup>1</sup> Dr. Karl Ploetz, *Auszug aus der alten, mittleren und neuen Geschichte*, 14. Auflage, 1905, p. 312.



resemblance to each other. We have already seen, in Chapter III., that the Russian revolution was the outcome of the violent contrasts to be found within the Russian Empire, as well as between Russia and other countries. Contrasts of a similar kind also brought about the French Revolution. But there the antagonisms were less strong, and more easily adjusted. In both countries autocracy came to stand in contrast to public opinion, to public consciousness. The literature of enlightenment, the teachings of Montesquieu, Rousseau, Voltaire, Diderot, and d'Alembert in France stood in contrast to the prevalent opinion of the Church and the State.

All this, however, was in France an organic self-development. The spirit of enlightenment was the spirit of France—of French origin. The industries supplying luxuries and French commerce were not of foreign origin. It is far otherwise in the Russia of to-day. The spirit of liberalism, and of social democracy together with science, technics, and the arts have been introduced from abroad. They have only been grafted upon semi-Asiatic Russia. The Russian peasant, of semi-Tartar origin, uses to-day the same tools and lives the same life as did the French peasant of the year 1789. Probably the yield of his soil is less. And there is no doubt that he is more hostile to civilisation and to the foreigner than was the French peasant. He is not on the same

level, but on a lower one. Meanwhile the working man in the large towns—in the electrical works at St. Petersburg, or in the engineering works at Lodz ; the printer on a great Moscow daily paper ; the telephone worker in the Caucasus—all these stand high above the industrial worker of 1789 at Paris and Lyons. The contrast between town and country is far greater in the Russia of to-day than it was in the France of 1789 ; it is, indeed, far greater than has ever been the case in a civilised State. The Russian Government and the Russian Church have done all they could to keep down the mental development of the 115 million individuals of the population of Russia who live by farming.

The orders for arrest (*lettres-de-cachet*), the Bastille, the high salaries and the large incomes of high officials and princes of the Church, as well as all the other excrescences of a degenerated despotism, caused wild excitement in pre-revolutionary France. But there was not the striking contrast to other countries. Nearly every State on the European continent was ruled by absolute autocracy. But banishment and the knout are specialties of the Russian Empire, standing in violent contrast to European civilisation. The religious intolerance is also unequalled in Europe. At the beginning of the revolution the Czar made haste to abolish corporal punishment, to restrict banishment, and to publish an edict of religious tolerance. Is there anything

which Louis XVI. failed to grant, even during the first year of the revolution, whenever it was demanded with some degree of energy?

#### THE BEGINNING OF THE REVOLUTION

What is the date of the beginning of the great Russian revolution? The teaching of history requires dates. A thousand years hence the schoolboy will want to know the date of the beginning of the Russian revolution.

The French nation celebrates to this day July 14, 1789, as the beginning of the Revolution, the day of the storming of the Bastille. Historians are more correct in generally fixing the date as May 5, 1789, when the States General were called to meet. The first step of the States General, the interfering with transmitted rights, thus constituted the first revolutionary activity.

The Press of the whole world has put the date of the beginning of the Russian revolution on the day when the railway strike in the Russian Empire became general all over Russia. This was on October 27, 1905. The general railway strike had, however, begun on some lines at Moscow, on October 22, 1905. The railway strike was entered upon in order to force the granting of a constitution. Its effect was immediate, for the Czar mentioned a constitution as soon after as October 30.

Thus it will be seen that the first act of the French revolution differs widely from the first act of the Russian revolution. In France it was the storming of the State prison, and in Russia it was a strike on every railway line. This difference is a difference of time. Strikes will in future be as much a chief weapon of the revolution as the storming of fortified strongholds by the excited masses was in the past. Both dates constitute the beginning of the revolution only because public opinion, all the world over, considered that on that day the revolution had broken out. The storming of the Bastille, on the one hand, and the beginning of the general railway strike on the other, are, therefore, only dates suggestive of the change in public opinion on events of the day. Both France and Russia had been revolutionised to an ever-increasing degree in the course of months and years. Professor A. Wahl rightly suggests the question in his account of the period before the French Revolution, as to whether the beginning of the Revolution may not be traced to the first breach of State laws during that period. In this connection one is reminded of the declaration made at some of the sittings of the Notables in 1787, that they were not representatives of the nation, and only such had the right to exact taxation; of the repetition of this declaration by Parliament; of the suggestion of that body for the summoning of the States. Of

all these opinions and suggestions the Government approved.<sup>1</sup> In similar manner the future historian may perhaps ask whether the beginning of the Russian revolution may not be traced to Father Georgi Gapon's procession through St. Petersburg on January 22, 1905, a day to which special significance has also been attributed in other countries.

In the long run the decision will be given to the date on which contemporary public opinion at home and abroad agreed that the revolution had begun. But sure it is that during the two months before October 27, 1905, public opinion all over the world agreed that there would be no revolution in Russia, and my book on 'The Future of Russia and Japan,' which appeared on August 22, 1905, meant nothing less than superiority to the opinion of the whole world, for that is what the newspapers and magazines of every country have said in every language when discussing my book. By far the most popular opinion was, as I can prove, that there was no revolution in Russia, and that the outbreak of a public revolution was unlikely or even impossible, and belonged to the category of 'phantastic dreams.' Only from October 27 dates the entire change of opinion everywhere.

<sup>1</sup> A. Wahl, *Vorwdrts*, p. x.

## LOUIS XVI. AND NICHOLAS II.

Like Nicholas II., Louis XVI. came early to the throne, being in his nineteenth year when he began to reign. He was as unlike his powerful great-grandfather as Nicholas II. was unlike his great-grandfather Nicholas I.

At the beginning of the Revolution Louis XVI. had reigned fifteen years; Nicholas II. eleven years. Louis XVI. ascended the throne in 1774; Nicholas II. in 1894. Both princes married, after they came to the throne, a German princess of extraordinary beauty. Of neither has it ever been said that they were not faithful to their wives, or that they had been absorbed by any passion. To both an heir was born late, and their nations, delighted at the event, celebrated the day with special rejoicings. Still, there is a slight difference about these two happy days. In France there was no one on that day who was not filled with joy and hope. People unknown to one another embraced in the streets of Paris. In Russia, on the other hand, there was already an almost imperceptible, but very determined, party with social-democratic and social-revolutionary tendencies, who were determined to drive the State into a revolution.

From the beginning of his reign Nicholas II. has never moved freely and openly in public among

his subjects; from the very first he lived in retirement, always expecting an attempt on his life. It was a tradition inherited from his father, who, after the cruel assassination of Alexander II., took upon his shoulders the sorrowful rulership over All the Russias.

Louis XVI. had no cause to fear attempts on his life. He showed himself in public and without an escort whenever he pleased. Not infrequently he appeared in Parliament to hold a so-called royal sitting. For him personal danger began only after the meeting of the States. After the guards had refused, on June 25, 1789, to fire on the mob who had stormed the archbishop's palace, King Louis summoned the president of the nobility, the Duke of Luxemburg, and recommended to him the union with the Third Estate. 'I have no money,' the King added, 'and the people are filled with revolutionary ideas; I can no longer protect you, for my own life is in danger.'<sup>1</sup>

It was only on this day that personal danger began to threaten the King and his family.

But both monarchs had lived through many risings in their country before the beginning of the revolution. The numerous peasant risings in various parts of the Russian Empire, especially during 1902 and 1903, have a close resemblance to the risings which took place in the reign of

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit*, i. Bd., p. 71.

Louis XVI. Both monarchs could comfort themselves with the thought that under their predecessors also many similar risings had been suppressed with reckless cruelty. In both countries such risings resulted from the same causes, such as the famines which result from unscientific farming and from the three-field system of farming; from the stupidity of the peasants and from the caprice and corruption of officials.

Both autocrats were filled with benevolence and love of the people. Louis XVI. endeavoured to lighten the people's burden. He liked to hear himself called the citizen-king (*roi citoyen*).<sup>1</sup> 'Only Turgot and I love the people,' said Louis XVI.<sup>2</sup> Nicholas II. planned nothing less than to secure eternal peace for his people and for the rest of the world. In such a peace his people were to live happily, and the ever-increasing expenses of the army were to be greatly reduced. The Hague Arbitration owes its existence to his endeavours to secure universal peace.

Yet there is a striking difference between the two rulers. When, after the storming of the archiepiscopal palace at Paris on July 17, 1786, the Duke of Luxemburg, in the conversation above referred to, said to the King: 'The nobility is ready to lay down its life for the King,' Louis XVI. replied: 'I

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, p. 202.

<sup>2</sup> *Ibid.* p. 254.



do not wish that anyone should perish for me.'<sup>1</sup> The vow that he would never shed a drop of his people's blood has had the most serious consequences for France.

Both rulers made grants of large sums of money for the relief of famine districts during the last years of their autocracy. Louis XVI. caused grain to the value of forty million francs (1,600,000*l.*) to be distributed for the relief of the famine in 1788.<sup>2</sup> The last Budget estimate, confirmed by Czar Nicholas II. as autocrat, and without the sanction of Parliament—that is to say, the estimate for 1906—contains, under extraordinary expenditure, an item of thirty million roubles, or eighty million francs (3,200,000*l.*) 'to be dispensed in aid of the population of the famine districts.'

The Court of Nicholas II., which mostly resides at Tsarskoe Selo or Peterhof, is far more secluded from the world than was the brilliant court of Louis XVI. at Versailles. Versailles, with its seventy to eighty thousand inhabitants, was one of the largest towns in the country, and served, after all, only as a royal residence for one man.

'Those who have not seen the pomp of Versailles have seen nothing,' Chateaubriand, who was introduced at court in 1778, writes in his 'Memoirs':

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit*, p. 78; A. Wahl, *Vorgeschichte der Französischen Revolution*, p. 201.

<sup>2</sup> H. Taine, *France before the Revolution* (German edition), p. 362.

'Even after the household had been reduced it still looked *à la* Louis XVI.'<sup>1</sup> The household of the King and the entire royal family consisted of fifteen thousand individuals, and required from forty to fifty million francs (1,600,000*l.* to 2,000,000*l.*) per annum.<sup>2</sup>

The household of the Russian autocrat, who rules over 142 million human beings, is considerably smaller than was the household of the French autocrat, who ruled over only twenty-six million human beings. If the Russian Emperor were to claim one-tenth of the ordinary State revenues this would amount to 400 million marks (20,000,000*l.*). But the Emperor of Russia has no idea of doing so. His own household, together with that of the Dowager Empress and those of all the Grand Dukes, probably cost less than did the household of Louis XVI., although, under the 'old *régime*,' the franc had three times its present value.

The civil list of the Czar, as far as it appears in the Budget forecast, amounts only to 12·8 million roubles, or twenty-six million marks (1,300,000*l.*) per annum (endowment for the Imperial family).

Count Mercy, the Austrian Ambassador, said of Louis XV. that his manner of living left hardly

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. i. p. 137.

<sup>2</sup> *Ibid.* p. 143.

an hour a day for the business of the State. But of his successor he said, 'Louis XVI. is methodical, and loses no time over useless things.'<sup>1</sup> But think of the time lost over Court ceremonial! The same retinue which surrounded the King when he rose in the morning, assembled round him when he changed his boots or his clothes, and when he went to bed. 'Six years in succession,' says one of his pages, 'we have daily seen Louis XVI. go to bed ceremoniously and in public; the ceremonial was only very rarely and for very special reasons omitted.'<sup>2</sup>

Louis XVI. had two hobbies: one was for locksmith's work, the other for hunting.<sup>3</sup> Both hobbies meant great exertion, which, however, was only physical. By his locksmith's work Louis XVI. showed that he would have become an unusually clever art-iron worker. As a sportsman he was entirely in his element. Hunting, and the meal and drinking after it, were his real delights.<sup>4</sup>

There is no better and no healthier sport than hunting, especially for him who can hunt in kingly fashion. But this great hobby contributed, without a doubt, considerably to the King's ruin.

'The indifference and apathy at Court,' wrote

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. i. pp. 152-155.

<sup>2</sup> *Ibid.* p. 152.

<sup>3</sup> *Ibid.* p. 153.

<sup>4</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. p. 208.

Arthur Young, on June 26, 1789, 'are absolutely unequalled. The present moment requires the most energetic activity, but the King goes hunting even while it is being decided whether he is to remain King of France or become Doge of Venice.'

On days when there has been no hunting he enters the word 'nothing' into his diary, as if these days were entirely lost.

Even during the storms of the Revolution, Louis XVI. still hunted frequently. On that momentous August 4, 1789, when the nobility and the clerics renounced their privileges, the King shot a stag in the forest of Marly. The entry in his diary for October 5, 1789, runs thus: 'Hunting near Chatillon; 81 head killed, interrupted by events; there and back on horseback.' And the entry for October 6, 1789, is: 'Depart for Paris at 12.30; visit to the Town Hall; supped and slept at the Tuileries.'<sup>1</sup>

But what terrible events lie between the two entries! At 3 P.M. on October 5 the procession of fishwives had arrived at Versailles and were camping round the palace. Towards 11 P.M. Lafayette arrived with 20,000 men of the National Guard. At six next morning the palace, in which the royal family were sleeping, was stormed. The first sentry of the National Guard was cut down, and the heads

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. i. p. 156.

were cut off the corpses. The mob rushed into the courtyards, passages, and rooms. Men and women they were, bearing all manner of arms, plundering, raging, and, above all, threatening the Queen. The Queen's antechamber was only held with difficulty, and with the loss of several men of the bodyguard, till she had hastily, and only scantily clothed, fled to the King.<sup>1</sup>

From that day the King's sufferings were terrible, but his was a temperament made for suffering. When he was imprisoned with his family, on August 10, 1792, the first thing for which he asked in prison was a meal. To Marie Antoinette's horror he ate it with an enormous appetite.<sup>2</sup>

The fate of the unfortunate Queen is particularly tragic. There is no doubt that the dislike of the French people against the Queen contributed considerably towards the fate of the royal family. Since she was young, beautiful, clever and amiable, it might have been expected that it would have been an easy matter for her to gain the goodwill of the French. When, in 1774, the jewellers Böhmer and Basenge sent the diamond necklace which they had manufactured, in the first instance to Louis XVI., in order that he might buy it for the Queen, Marie Antoinette herself refused the present with the

<sup>1</sup> H. von Sybel *Geschichte der Revolutionszeit*, i. Bd., p. 181.

<sup>2</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. i. p. 200.

patriotic words: 'A man-of-war is what we require rather than a trinket.'<sup>1</sup>

Ten years later this ill-fated necklace contributed to a very great extent to the Queen's loss of popular favour.

The Queen, however, had nothing to do with the intrigue at the end of 1784, by which Madame de La Motte attempted to obtain possession of this costly jewel. The Queen's name had been fraudulently introduced in the affair.

At the beginning of his reign Nicholas II. was fully determined on no account to limit his absolute autocracy. On January 29 (17), 1895, he said to a deputation congratulating him on his marriage: 'I am acquainted with the fact that recently at several Zemstvo meetings some members have given voice to absurd fancies, according to which representatives of Zemstvos should take a share in the business of administration. Let them understand that I shall devote all my strength to the welfare of the nation, but also that I shall adhere to the principles of autocracy as firmly and steadily as did my lamented father.'<sup>2</sup>

The appointment of Plehve to the position of Minister of the Interior showed with what determination Nicholas II. opposed any efforts for the

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. i. p. 316.

<sup>2</sup> D. M. Wallace, *Russia*, vol. ii. (German edition).

granting of a constitution during the first years of his reign. It is impossible to rule more autocratically than was done under Plehve. Finally, the fetters were drawn so tightly that the conviction gained ground at home and abroad that they must break.

Louis XVI. also was a convinced adherent of autocracy. He began his reign with an extraordinarily liberal measure, which meant a considerable limitation of his autocracy. His grandfather, Louis XV., had fought for unlimited absolutism only at the end of his reign and by political stratagem against the Parliaments of 1770.<sup>1</sup> Since the year 1754, in the reign of Louis XV., a co-regency had been formed in the Parliaments. By a far-reaching legal reform, introduced by the minister Mariepeau in 1770, the old Paris Parliament was done away with, and replaced by a new and tractable one, the functions of which were strictly limited.<sup>2</sup>

By re-establishing the old Parliament Louis XVI., according to Professor A. Wahl, sealed his fate. Hitherto the nation had looked upon Parliament as the home of liberty. As a matter of fact, it had, for the most part, shown itself an opponent of reforms.<sup>3</sup> There was no Plehve ministry in the Government of Louis XVI. On the whole his

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. p. 192.

<sup>2</sup> *Ibid.* vol. i. pp. 82 and 177.

<sup>3</sup> *Ibid.* vol. i. pp. 82, 191 and 196.

Government tried to walk in the paths of enlightened absolutism. As a rule the censor in France was very yielding. The press in France was far more free than in England, according to Arthur Young, who had travelled in all parts of France during the last years before the Revolution. Indeed, modern literature was actually defended against clerical attacks, in this 'mildest of all Governments except the British,' as Arthur Young has it. 'Liberty,' says Beugnot, 'had freely made its home in France. It was known that the *lettres-de-cachet*, which had once been so dangerous, were only made use of by a few unhappy families. People wrote, talked, and discussed everything.'<sup>1</sup>

Unlike the Russian public under the Plehve ministry, the public in pre-revolutionary France was not in constant danger of being punished by the administration with banishment or imprisonment when concerned in spreading political and social writings. The Russian burden of political detectives was hardly felt in France. But it would be quite wrong to assume that the royal *lettres-de-cachet* (warrants of arrest) had not helped to cause excitement in pre-revolutionary France. On the contrary, those directed against individual members of the Parliaments of Paris, Bordeaux, and other provincial towns, during the last years before the

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. i. p. 326.



Revolution, and also those against the Duke of Orleans and Cardinal de Rohan, caused an unpleasant sensation all over the world. This conclusion is easily arrived at by the reading of the 'Vossische Zeitung' of that date.<sup>1</sup> Thus the Paris correspondent of this paper reports, on January 6, 1786: 'The King has sent to Bordeaux thirty *lettres-de-cachet* by which thirty councillors of the Bordeaux Parliament are exiled in different directions. These had shown themselves very untractable at the November meeting in connection with the registration of royal commands. The Brittany Parliament, which is still untractable in connection with the sale of tobacco, may possibly share a similar fate.'

Of this sort of great internal conflict the 'Vossische Zeitung' has no reports from any other country; neither from Austria, Bavaria, nor Denmark. A full report in the 'Vossische Zeitung' of June 12, 1786, dealing with the tussle between the King and the Bordeaux Parliament, opens with the words: 'The greatest fermentation is going on in the Parliament at Bordeaux.'<sup>2</sup> Even in 1786 the 'Vossische Zeitung' writes with obvious interest about persons expressing opinions against the Bastille.<sup>3</sup>

How deeply embedded the craving to cause the

<sup>1</sup> *Vossische Zeitung* of Saturday Jan. 21, 1786.

<sup>2</sup> *Ibid.* July 24, 1786.

<sup>3</sup> *Ibid.* Aug. 8, 1786. Letter from Paris of July 21.

Bastille to disappear from the face of the earth was in the soul of the French people, and how much sympathy there was with this craving all over Europe, is shown by a passage in the 'Vossische Zeitung' for 1786, which chance has brought to my knowledge. This passage occurs in an article on the notorious international swindler, Cagliostro, who was arrested in 1785 in connection with the necklace affair, and who had escaped abroad. On August 7, 1786, the Paris correspondent of the 'Vossische Zeitung' <sup>1</sup> wrote: 'Cagliostro has written that he will come to Paris as soon as the Bastille has become a public pleasure-walk.' On the evening of July 14, 1790, the first annual celebration of the storming of the Bastille, in which the whole nation joined, the Bastille Square was the principal meeting-place of the Parisians. In the same place where the State prison had stood, which had meanwhile been pulled down and converted into a public pleasure ground, there was a board with the inscription: 'Dancing.' <sup>2</sup>

Thus it appears that the storming of the Bastille was, so to speak, in the air even in the year 1786. I mention the year 1786 on purpose, because Professor A. Wahl has recently stated that the beginnings of a revolutionary movement can only be traced to the year 1787. As all the *lettres-de-cachet* originated

<sup>1</sup> *Vossische Zeitung* of Saturday, Aug. 19, 1786.

<sup>2</sup> Thiers' *History of the French Revolution* (German edition) part 2, p. 64.

direct from the King, it is only too clear that indignation should be directed against his person.

One great difference between the French and the Russian revolution consists in this, that in France a member of the royal family was at the head of the opposition against the dynasty years before the outbreak of the Revolution on July 14, 1789, and played an ominous, fatal part from the first day of the outbreak. This was the Duke of Orleans. He was the wealthiest man in France. After his execution, in November 1793, his fortune was proved to amount to 114 million francs (4,560,000*l.*), while his debts amounted to 74 million francs (2,960,000*l.*). A large part of these debts was incurred by generous contributions towards the funds for the Revolution. The Duke was not a great man, but he was pre-eminently ambitious. His object was to become King of France. This end, in his opinion, justified all means. He made systematic preparations for the Revolution. He was a criminal of the first order, and the remarkable thing is that he had a private secretary who outdid even him in wickedness. This man, Laclos, was elected on November 21, 1790, manager of the Jacobin Club (Society of Friends of the Constitution), and in this capacity he did the business of the Duke and of the revolutionaries. Without the Duke of Orleans the French Revolution might have taken a very different course. Although his capacities were not above

the average, he constituted the will-centre for the Revolution. Without his co-operation the systematic incitement of the people against the Queen, the sudden massing in Paris of bandits from all over the country, the storming of the wall-paper factory of Messrs. Reveillon in April 1789, the sudden defection of the troops even before the storming of the Bastille, the revolutionary turmoil in the Palais Royal, which he owned, and finally the procession of fishwives to Versailles on October 5, 1789, would have been impossible.<sup>1</sup>

In order to begin a revolution at various points and in different manner at the same moment, you must have a revolutionary will-centre as well as the necessary funds, and some degree of influence in the man who represents the will-centre. In the Russian revolution all this is united in the secret committee of the social-democratic and the social-revolutionary party. Here we have a unanimous and extraordinarily strong will for a revolution, which cannot be destroyed, because it does not depend upon the life of an individual. The power of this will-centre extends from Lodz to Vladivostok ; from St. Petersburg to Tiflis. The strike of the 800,000 railway men of the Russian Empire at the end of October 1905, was a distinct expression of this will for a revolution. The revolutionary committees have

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), ii. Bd. 2. Abteilung, p. 74 ; ii. Bd. 1. Abteilung, p. 48.

at their disposal considerable funds from the pockets of all the discontented elements in Russia and abroad.

In pre-revolutionary France this will for a revolution was first and foremost embodied in the person of the Duke of Orleans and his creatures. With the Duke's enormous wealth and high position (his great-grandfather was Regent of France during the minority of Louis XV.) this will for an overthrow was bound to find expression all over the country. Parliament, the highest court of law, not only shared the Duke's will, but was actually the original seat of this will. On September 20, 1787, the Duke, at the head of Parliament, had asked the King—who had appeared in person in order to submit the demand for the loan of 440 million francs (17,600,000*l.*) and the projected summoning of the States General consequent upon the loan—in genuine progressive spirit whether this meeting was a *lit de justice* or an assembly for free discussion. 'It is a royal assembly,' was the King's answer.<sup>1</sup>

Next day the Duke of Orleans was banished by *lettre-de-cachet* to his country seat, Villers-Cotterets, four hours' distance from Paris.

The open conflict between the Duke of Orleans and the King caused a sensation, not only in France, but all over the world.<sup>2</sup>

<sup>1</sup> Thiers' *History of the French Revolution* (German edition), part 2, p. 18.

<sup>2</sup> *Vossische Zeitung* of December 11, 1787, and Jan. 22, 1788.

Parliament protested repeatedly and strongly against the Duke's banishment, and demanded his release. But the King compelled Parliament to submit to him the registers in which were chronicled the protests against the *lettres-de-cachet* for the banishing of the Duke and two other members of Parliament, and crossed the protests out.<sup>1</sup> Then, when the Duke of Orleans was pardoned and had returned from exile, the Palais Royal was illuminated, on the evenings of April 17 and 18, 1788, and there was a display of fireworks, according to the report of the Paris correspondent of the 'Vossische Zeitung.'<sup>2</sup>

As in Russia, so in France, at the threshold of the revolution nearly the whole of the educated middle classes and a large section of the nobility were eagerly desirous for the limitation of autocracy and the calling together of an Imperial Parliament. Among these large masses of educated men the influence of the Duke of Orleans was the more powerful because he was Grand Master of all the Freemasons' Lodges in France.

Like Louis XVI., Nicholas II. has also from the beginning of his reign tried to do much towards strengthening and perfecting his army, and especially his navy. Both monarchs achieved considerable successes during those early years on account of these increased means of defence. When,

<sup>1</sup> *Vossische Zeitung* of Feb. 2, 1788.

<sup>2</sup> *Ibid.* May 8, 1788.

in 1783, England was obliged by the Peace of Versailles to acknowledge the independence of the United States of America, and when the Japanese, in 1896, had to evacuate Port Arthur immediately after obtaining possession of it, all the world agreed that the two monarchs had happy and successful reigns before them. Fate, however, decreed that under both monarchs the prestige of the country should, in the eyes of other nations, continue to diminish till the beginning of the revolution. In 1789 there was great dissatisfaction in France, as was the case in Russia in 1905, at the sad defeat suffered by the Empire.<sup>1</sup> Against the will of France, German and English troops had entered Holland in September 1787, and had overthrown the party of Patriots which was allied to France. Although France had already sent troops to the north frontier, it did not dare to go to war against the two Powers, but distinctly acknowledged the overthrow in Holland at England's threatening demand. As H. von Sybel writes, all France was united in its feeling of bitter contempt against a Government which quietly swallowed such insults.<sup>2</sup>

Nicholas II. and Louis XVI. are no generals and no military temperaments. They have not the gifts of the true Cæsars to inspire and carry the

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. i. p. 192.

<sup>2</sup> H. von Sybel, *Geschichte der Revolutionszeit*, vol. i. p. 54.

armies along with them. They stand helpless before the mutinies on land and at sea.

Both are deeply religious, and convinced that they are autocrats by the will of God. Both autocrats found it necessary to justify their autocracy against an increasingly strong public opinion by referring to the will of God. At the conclusion of his manifesto of March 3, 1905, the Czar prays to God not only for the well-being of his subjects, but also for the strengthening of autocracy.<sup>1</sup> King Louis XVI., having taken amiss the demand of Parliament for a meeting of the States General, caused the Keeper of the Seal, on November 19, 1787, in the King's presence, to remind the assembled Parliament of the principles on which rest the power and authority of a King of France, these being that the King alone has unlimited power in his realm, and that he is responsible only to God for the use he makes of his power.<sup>2</sup>

Both monarchs were wise enough to put their personal feelings aside and to give their confidence to the cleverest statesman to be found. It is not their fault that neither Necker nor Witte were great enough to rise to the occasion.

King Louis's ways—as Professor A. Wahl rightly says<sup>3</sup>—were among the most important factors in

<sup>1</sup> D. M. Wallace, *Russia* (German edition), vol. ii. p. 395.

<sup>2</sup> *Vossische Zeitung*, Dec. 18, 1787.

<sup>3</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, vol. i. p. 208.



bringing about the Revolution and in determining its course.

The whole civilised world will unite with me in wishing that the Russian Imperial family may be saved from the fate of the French Royal family.

WERE THE FRENCH AND THE RUSSIAN  
REVOLUTIONS PREVENTABLE?

Those who are not perfectly clear as to the causes of the Russian and French revolutions will find it extremely difficult to answer this question. A Berlin newspaper reader, however, who attentively followed French affairs during the early months of 1789, or Russian affairs in the early months of 1905, must have been perfectly sure that a revolution would break out before long.

What ought Czar Nicholas II. to have done in order to prevent a revolution? If he had prevented the war it would have been years before the revolution broke out. But in the course of years or decades the numerous peasant risings, such as Russia experienced in 1902 and 1903, together with the discontent of the social-democratic proletariat in the towns, would have grown into a general and bloody revolution.

But even if the unsuccessful war which was the most direct cause of the revolution had been prevented, it could not have been permanently diverted.

This could only have been done by averting the more deep-seated causes. But was it possible to avert them? Czar Nicholas II. should have prevented the hectare (1 hectare =  $2\frac{1}{2}$  acres) of Russian soil from yielding only an annual grain-crop of 500 kilogrammes (10 hundredweight) at a time when the German soil yields 1,600 kilogrammes (32 hundredweight).<sup>1</sup> He should have prevented the largest part of the Russian peasant population from being still steeped in ignorance and poverty in our progressive age. He should have prevented the glaring contrasts which have been discussed in Chapter IV. But for the reconciliation of these antagonisms and for the removal of the causes of the revolution a century of methodical reform work was required.

One of the greatest experts on pre-revolutionary France, Professor A. Wahl, has recently stated that at the beginning of the reign of Louis XVI. the French Revolution might have been averted in various ways. 'Under a strong and firm ruler,' says A. Wahl, 'it would never have broken out. Moreover, the loyalty of a few cavalry regiments and the will to make them charge at the right moment would have sufficed to keep the rising within bounds.'

Apart from a few mutinies in Eastern Asia and Europe, his army has on the whole remained loyal to Czar Nicholas II. Only the navy has shown

<sup>1</sup> Rudolf Martin, *Die Zukunft Russlands und Japans*, p. 52.

itself to be almost entirely unreliable. Since Bloody Sunday, January 22, 1905, Czar Nicholas has frequently and recklessly caused the soldiery to charge. No revolution could possibly be quelled with greater recklessness than that in the Baltic provinces. Many hundred farmsteads have been burnt to the ground in order to revenge the revolutionary misdeeds of the Lett country population. The energetic interference of the troops on the day of the Gapon procession, January 22, 1905, has in no wise prevented the beginning of the revolution in October 1905, or the numerous mutinies in the army and navy. Will the brutal suppression of the revolution in Courland, Livonia, and Esthonia bring lasting quiet to these countries? I do not believe it. On the contrary, the revolutionising will go on year by year, notwithstanding the reckless interference of the soldiery. Nor will the energy of courts-martial stay the mutiny of the troops.

Both monarchs should have avoided the necessity of having a constitution forced upon them by revolutionary risings.

It is always a mistake for a monarch who desires to keep his dynasty on the throne to show weakness. In purely political revolutions, such as those which were frequent in Central Europe from 1830 to 1849, a retreat before revolutionary risings is compatible with the interests of a country and a dynasty. But in a revolution one of the chief causes

of which is the scarcity of bread, as in France and Russia, a weakening of the authority of the State is accompanied by the most mischievous consequences. Before the French Revolution, as has been explained in the chapter on 'The Prediction of the Revolution,' both the Paris correspondent of the 'Vossische Zeitung' and the Prussian ambassador, Count Goltz, clearly foresaw this danger. When an autocratic monarchy shows itself incapable of carrying through such necessary social reforms, then it has simply finished its course, even before a revolution breaks out. In France as in Russia the monarchy ought to have raised the peasantry, and agriculture in general, to a higher level during the fifty years before the revolution. Then, when reforms had been carried through in farming, taxation, and education, the monarchy of its own free will should have given the country a constitution.

After the revolution had broken out both monarchs were eager enough to secure the continuance of their dynasty by giving a constitution. Three days after the railway strike in October 1905 had become general from Lodz to Vladivostok, Nicholas II. published his constitution manifesto.

In the night of July 14-15, 1789, the Duke of Laroche foucauld Liancourt caused Louis XVI. to be awakened in order that he might receive the

news of the storming of the Bastille. 'So a revolt has occurred?' asked the King. 'Sire,' replied the Duke, 'it is a revolution.'<sup>1</sup> The same words were used as early as the spring of 1905 by Prince Trubetzkoy in an audience of Czar Nicholas II. We have already seen that Louis XVI. expressed himself in very pessimistic terms to the Duke of Luxemburg even on June 25, 1789. Clever Queen Marie Antoinette had feared the worst ever since the first day of the meeting of the States, May 5, 1789. She had a special dread of a strict inquiry into the lavish expenditure of the Court, and hostile proceedings against the alliance with Austria.<sup>2</sup>

On June 17, 1789, the Third Estate had constituted itself into the National Assembly and thereby invested itself with royal powers. On June 23, 1789, the King, appearing in person at the meeting, had attempted to forbid the National Assembly, and to retain the separate meetings of the Three Estates. The attempt had been frustrated. As an answer to the King's decree the National Assembly, on Mirabeau's motion, after the King had left, proclaimed the inviolability of the representatives.<sup>3</sup>

When the National Assembly invested itself

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), ii. Band, 1. Abteilung, Leipzig, p. 15.

<sup>2</sup> H. von Sybel, *Geschichte der Revolutionszeit 1789-1800*, 1. Band, p. 70.

<sup>3</sup> *Ibid.* p. 72.

with royal powers, the Royal Family of France was as fully aware of the danger of a revolution as the Imperial Family of Russia when the Czar was forced into the promise of a constitution by revolutionary pressure on October 30, 1905.

The feeling is deeply implanted in human nature that even in the most dangerous situation there is still hope of improvement. After the beginning of the revolution and the loss of autocracy, both the French Royal Family and the Russian Imperial Family still hoped that at least the continuation of the revolution and worse things might be avoided.

All the world is interested in the answer to the question whether it is possible to prevent the continuation of the Russian revolution which is bound to end in a complete state of anarchy. The answer may be inferred from what we have said. The Imperial Duma is no more able than the Czar to obliterate the powerful contrasts which are the cause of the Russian revolution. The assembling of 600 deputies from all parts of the Russian Empire does not make the Russian peasant more solvent and better educated; it does not take from the industrial and town worker his social-democratic ideals; it does not cure the corruption of Russian officialdom, and it does not strengthen the authority of the Czar, which has been weakened by the success of the revolution.

Those who have correctly grasped the funda-

mental causes of the Russian revolution know perfectly well that it will continue for years, and will not come to an end till everyone's battle against everyone has brought about in every town and village of the Russian Empire that absolute exhaustion which the Reign of Terror, from the summer of 1793 till the summer of 1794, brought to France. But the quieting of the Russian volcano is an infinitely more difficult task than was that of the French. It requires the amputation of whole districts of the Empire, as, for instance, of Poland and the Baltic provinces. The Russian revolution will also again and again receive new strength from the material and moral support of the strong social-democratic parties in other countries.

Why had France to drink the poisoned cup of the Revolution to the dregs? Because a revolution cannot in a few months or years heal the injuries by which it was caused. The contrast between the yield of the soil under the three-field system of farming on the one hand, and the density of the population, together with the dogma of liberty, equality, fraternity on the other, could not be caused to disappear by the laws of the National Assembly.

On August 4, 1789, the nobles and the clerics had renounced their chief privileges; on August 27 the National Assembly had proclaimed the Rights of Man; on September 21, 1789, the National

Assembly had decided upon a democratic-monarchical constitution which left the King with hardly such authority as the King of England holds at the present time. The King remained absolutely passive. The military power had slipped from his hands. The only serviceable army in France was that which formed the National Guard, and consisted of revolutionary citizens under the leadership of General Lafayette.

This being the case, was there any reason to continue the cruelties of the Revolution? Of capable men there was no lack in this National Assembly which, in the person of the Marquis of Mirabeau, counted one of the most eminent parliamentarians of all times among its numbers. But Parliament lacked one gift, namely, that of sorcery. France would soon have calmed down if it had been possible for the National Assembly to raise the wages of town and country labour by 50 per cent. for every worker. At a time when in England the steam-engine and the spinning-machine made industrial employment far more productive; when English trade, especially with the United States and the Colonies, experienced a gigantic improvement; when English farming had almost entirely discarded the fallow ground method, the productivity of labour in densely populated France had made hardly any progress. Meanwhile, the revolutionary movement had, since the beginning of 1789,



considerably diminished the national wealth of France, as has been the case in Russia in 1905. During the four months preceding the storming of the Bastille, France experienced over 400 insurrections.<sup>1</sup>

In the second half of the year 1789 the peasant rising became general in the East of France. Exactly as it happened in the autumn of 1905 in the Baltic provinces, so everywhere the mansions of the nobles were burnt down. The Alsatians began the revolution with a general Jew-baiting. No less than 1,200 fugitive families of Jews arrived at Basle within a short time.<sup>2</sup>

The general situation in Russia in January 1906 closely resembles that in January 1790 in France. Among the many striking reports from Paris, in the 'Vossische Zeitung,' which might be dated from Petersburg in 1906, I should like to quote the following report which the Paris correspondent sent on January 11, 1790<sup>3</sup>:—

'The fine times which were promised to us have not yet put in an appearance. Both in the capital and in the provinces there lurks dissatisfaction which might easily break out once more. Everybody complains of lack of money and work, and points to the Revolution as the cause. At Versailles

H. Taine, *Origines de la France Contemporaine* (German edition), ii. Band, 1. Abteil. p. 24.

<sup>1</sup> *Ibid.* p. 100.

*Vossische Zeitung*, Saturday, Jan. 28, 1790.

a mob assembled in consequence of the increase in the price of bread, and neither the Flanders regiment nor the National Guard have interfered. The magistrate has been obliged to lower the price of bread, and the Marquis de Lafayette has sent troops to the spot.'

In France the industries supplying articles of luxury immediately began to suffer. In Russia the strikes lessened the funds of both employers and employés. There is not the slightest prospect that the yield of a Russian peasant's fields will increase within the next twenty years. And while the national wealth diminishes, the wants of the masses, both in town and country, increase. With this growing dissatisfaction each successive election of the Imperial Duma is bound to result in a larger radical majority, as was the case in the elections of the French National Assembly. Lack of work and general excitement, slackness of justice and State authority are things which call forth the lowest of human passions. Crowds of men look forward to an upheaval in hopes of making rich profit by it. The social and national contrasts to which revolutions are due become more accentuated. And in such periods real reforms are not to be thought of.

As the outcome of these conditions the rising of the Russian peasant population, numbering 115 million individuals, will be found to represent the largest peasant rising in the history of the world.

THE IMPERIAL DUMA AS CENTRAL ORGAN OF  
THE GREAT REVOLUTION

On May 5, 1789, King Louis XVI. opened the French Assembly of States. On May 10, 1906, Czar Nicholas II. opened the Russian Imperial Duma. The first French Parliament sat till it was dissolved by its own desire on September 30, 1791, in order to make room for the Legislative Assembly. The first Russian Imperial Duma, on the other hand, was dissolved by the Czar, contrary to its own wish, at the end of an existence of two and a half months. By order of the Czar it will be allowed to meet again on March 4, 1907.

The three Estates of France were at first only a consultative body. On June 21 and 23 the Third Estate of commoners constituted themselves into a National Assembly, and thereby into a constitutional organ of a constitutional monarchy. Originally the Duma also was only intended to act as a consultative body. This had been decreed by the Imperial ukase of March 3, 1905. But the open revolution at the end of October 1905 compelled the recognition of the Imperial Duma as a constitutional organ by the Imperial manifesto of October 30, 1905. Thus the Imperial Duma is apparently a child of the revolution, and only the future will show that it is in reality the mother of the revolution.

It is nothing but the licensed central organ of the greatest revolution of all times.

It took the French National Assembly some four years to develop into the convention of the Reign of Terror, and thereby to a legislative gathering of madmen, to a lunatic asylum without supervision. The Russian revolution will last much longer than the French, but the Imperial Duma will much sooner become a mad-house. Those who have a taste for historic drama with a tragic ending, and whose love of the theatre inclines them to risk their own lives once in a way, had better begin to learn Russian in good time. The meetings of the Russian Imperial Duma in the years to come will be remarkably like those of the French Convention. At such times it is of importance that the deputy should be punctually in his place, for if he is late there is the possibility that the Opposition may have ordered his legal arrest and execution. A score or a hundred well-armed friends on the benches and in the lobbies will also be found useful at critical moments. That sort of thing helps a bill to become law, and assures against parliamentary surprises. Danton, Camille Desmoulins, and finally Robespierre only realised on the scaffold that tactical errors in parliamentary arrangement are apt promptly to sever the head from the trunk.

The French National Assembly was not only in 1789 but also during the whole of 1790 a very quiet,

moderate body. Necker worked with it till September 1790. Why should not Witte, after having twice fallen out of favour and regained power for the third time, work for years with the Imperial Duma in peace and unity?

As a rule, the sort of revolution-parliament which is the outcome of the first election, is supposed to be much more formidable than is actually the case. After having been in existence for eight months, during which it had recklessly modernised the laws of the last centuries, it maintained perfectly correct relations to the Royal Family. The New Year's compliment—so the Paris correspondent of the 'Vossische Zeitung' wrote on January 4, 1790—which the President of the National Assembly paid the Queen, was most flattering. 'Madam,' he said, 'the tribute of reverence which the representatives of the nation offer you is no longer a matter of empty ceremony. You share the fame and the anxieties of a King whose virtues are beloved in both worlds. You watch unweariedly over the welfare of a prince who is worthy for ever of the love of all Frenchmen. Every citizen knows with what care you educate the amiable children in whom we take so deep an interest, and in the name of all ever grateful, ever loyal Frenchmen, we offer you, madam, our humble devotion.'

Four years later the French Legislative Assembly sent the same Queen, after an iniquitous trial, to the

scaffold. Her son died in consequence of the systematic brutalities of his tormentor, the cobbler Simon. The same New Year's Day, however, in which the Royal Family were so heartily and respectfully greeted by the National Assembly, gave the King a slight foretaste of what was in store for him. On New Year's Day the Mayor of Paris, Bailly, introduced to the King the market women who had received a patriotic medal because they had gone to Versailles on October 5, 1789. 'This step of our Mayor has not been received with general approval,' writes the Paris correspondent of the '*Vossische Zeitung*.'<sup>1</sup> As late as February 4, 1790, King Louis XVI., having been duly announced, walked through the gardens of the Tuileries into the room of the National Assembly, where he was received with shouts of joy. The King then read a long declaration composed by Necker, in which he announced his approval of a Constitution.

His long speech was frequently interrupted by the loud applause of those present. Among them were Robespierre, Danton, Marat, and Camille Desmoulins. There is no evidence that they did not join in the general applause. The warm expressions of gratitude from the President of the National Assembly were as hearty and reverent as the King's emotional speech was friendly.<sup>2</sup>

<sup>1</sup> *Vossische Zeitung*, Thursday, Jan. 21, 1790.

<sup>2</sup> *Ibid.* Full report, Saturday, Feb. 20, 1790.

By recalling the French National Assembly, I have tried to lift to some extent the veil lying over the picture of the Imperial Duma which assembled on May 10, 1906. Of one thing we are certain in connection with it—namely, that its personal relations to the monarch could not be more sincere and friendly than were those of the National Assembly to Louis XVI. and his family on the day of the great reconciliation, February 4, 1790.

I should not, however, care to guarantee that the relations between the Russian Imperial Duma and the Government of Russia in the spring, 1907, will be as cordial as was the case in France. Since the mutiny of the French Guards, on July 12 and 13, 1789, and the formation of the Citizen Guard on the same date and under the command of General de Lafayette, his power had slipped from the hands of the King and was now in the hands of the National Assembly and General de Lafayette.<sup>1</sup> But the Czar is still master in his empire, and his army has successfully subdued all risings and mutinies in 1905 and in the early months of 1906. On many a day, in many a town and large country district, the Czar no longer had public power in his hands. But hitherto he has been fairly successful in regaining lost territory. The towns of Cronstadt, Vladivostok, and Sebastopol, as well as Courland,

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit 1789–1800*, i. Band, pp. 76–78.

Livonia, and Esthonia, have been obliged to reacknowledge his Imperial sovereignty. The Russian Imperial Duma, therefore, is face to face with an Imperial power which, if it is not exactly strong, is at any rate victorious. As long as the Imperial Duma cannot dispose of the armed forces in the Russian Empire, its power cannot in any way be compared to that of the first French Parliament.

In what manner Nicholas II. will in future make use of such power as is still vested in him may be foreseen from his twelve years' reign. Even if Czar Nicholas should have become convinced by the Russian catastrophe that not external but internal power should be the object of his Government during the next decades, he lacks the right officials for social and economic reforms in every branch of his administration and in every part of his Empire. There is no prospect whatever that the Government will succeed within the next years or decades in adjusting the violence of the contrasts which have caused the Russian revolution. Thus the conflict between the Government on the one hand and the Imperial Duma and the population on the other is a fact to be reckoned with from the outset.

The first Russian Imperial Duma, which was dissolved on July 22, 1906, has shown that, for the present and for the immediate future, Parliamentarism in Russia means nothing but revolution. From the events that have taken place in the first



Russian Parliament the main points of conflict between the Czar and Parliament during the next few years of the revolution may easily be recognised. The majority of the first Duma was out and out opposed to the present *régime*. The Labour party, which formed the left wing of the Duma, took up an entirely radical and irreconcilable position. Of the 412 members about one hundred belonged to this Labour party which voiced the ideas of the social-democratic factory workers, and of the communist and most radical section of the peasantry. Their spokesmen were the two peasants Anikin and Aladjin, both steeped in revolutionary and socialist ideas. Nearly twice as large as the Labour party, and therefore holding the balance of power, was the constitutional democratic party, the so-called Cadets, led by the President of the Duma, Muromtzeff, and by Messrs. Petrunkevitch, Milinkoff, Vinaver and Prince Dolgorukoff. The leaders of the Cadet party may have cherished the secret hope that the reins of Government would be given into their hands, and this hope may have led them to the self-restraint which they have practised; but the contrasts dividing the vast majority of their electors and the present *régime* proved too great to make a reconciliation possible. The enormous majorities of the first Duma, resulting from the union of the Labour and the Cadet parties, made collaboration with the Government of the Czar impossible.

Three claims in particular, which the Government refused to grant, brought matters to a head.

First and foremost the Duma demanded a general amnesty for all political criminals—that is to say, for every criminal imprisoned for murder, robbery, or incendiarism. Next the Duma demanded the abolition of capital punishment. Although the Government did not grant these demands, it did not dissolve the Duma, but remained in the condition of absolute passivity and helplessness which it had assumed from the very first in connection with the Duma. As I know from reliable sources, opinions are divided even in Russian Government circles as to whether it would not have been wiser to grant these two claims in order to remain on good terms with the Cadets. It is rightly held that by granting these claims the foundations of the State would not have been shaken.

But it is different with the third claim which the majority of the Duma regarded with the greatest sympathy. On May 23, the land reformers of the Labour and Cadet parties submitted to the Duma a bill proposing enforced abolition of property on a very large scale in favour of the peasantry. It was proposed that all landed property belonging to the State, the Crown and the Church, should be abolished without indemnification. Moreover, the bill advocated the abolition of all private property beyond a certain acreage, the owner to be to some degree

indemnified. This most daring demand of the Russian peasants was energetically opposed, not only by the Government, but by a large number of deputies from districts in which there is more private than communal property. This bill was handed over for consideration to a special Agrarian commission.

In the last chapter of this book, under the heading 'A Glance Ahead,' the results which will follow this pet scheme of the Russian peasantry are fully discussed. The forced abolition of a large part of privately owned land, as well as of the estates owned by the Crown and the Church, would result in a backward movement from scientific to antiquated farming, and would be the first step towards the abolition of private property. A measure that would so seriously affect the national revenue and would undermine the foundations of the modern social system based on the idea of private ownership, could not be admitted by the Government. Hence the Stolypin Government proceeded to dissolve the Duma on July 22, 1906.

Since the meeting of the new Duma will take place only on March 4, 1907, the Budget estimate for 1907 will once again be drafted by the Government of Absolutism without the assistance of Parliament.

In the next Duma, and indeed in every succeeding Duma, the fierce demand of the peasants for more land will lead to conflicts with the Govern-

ment and with the social strata representing property. The debates in the first Duma have shown how fierce is the land-hunger of the peasants.

Lorsev, the peasant deputy who represented Tambov in the first Duma, compared the peasantry to Samson. As blind Samson tore down the two pillars supporting the house of his enemies, uttering the words: 'Now die, my soul, but the Philistines with thee,' so the peasants also, blinded by the Government's mismanagement, will in the end call out, 'Die, O my soul, but they also shall die.'<sup>1</sup>

Supposing the Government to be still strong enough to conjure up from the new elections a Parliament which in the main is reactionary, the continuation of the revolution will still be assured by the increasing Radicalism of succeeding Parliaments. But the effectiveness of each succeeding Parliament will be more and more weakened by the battle of the Government against the revolutionary movement.

To point to the effectiveness of the German Parliaments which were the outcome of the revolutions of 1848 and 1849, is a misapplication. Contrasts so strong as they exist in Russia existed nowhere in Germany. In the German revolutionary movement the main issue was the limitation of monarchical power by means of a constitutional government. Education in all German

<sup>1</sup> Graf vom Pfeil, *Tag* for June 7, 1906.

States was already on a very high level. The dense population was strictly disciplined to law and order. Officialdom was irreproachable. Agriculture at that time was on a far higher level than it is in the Russia of to-day. As three-field farming had been almost entirely discontinued in 1848, and as Germany had numerous railways and other means of communication, extensive famines were entirely excluded. But notwithstanding all these excellencies, the reorganisation of the army led Prussia in 1861 to an extremely difficult conflict between an ideal monarch and a reasonable, patriotic assembly of representatives of the people, to which, however, the eggshells of the revolutionary period were still clinging.

The attempts made by the Crown on the one hand, and by the Imperial Duma on the other, to bring the constitution and the election laws into harmony might lead to a new revolutionary outburst in a country of such violent contrasts as the Russian Empire. The Czar has retained his title of autocrat, but the Duma will endeavour to limit his power. Will the Duma make the grants to the Czar which he requires for the reconstruction of his army and navy? Will the Czar be in a position to give the grants demanded by the districts that have been ravaged by famine and revolution? The peasants' demands for an increase of land will soon bring their representatives in the Imperial Duma into

violent opposition to most of the noble ground landlords.

It is hardly to be expected that the Crown and the Duma should agree, without hard battles, upon a law concerning the abolition of communal property. Before and after the beginning of the revolution; before and after the constitution-manifesto of October 30, 1905, numerous Russian officials have been guilty of serious misappropriations; and, on the other hand, an enormous number of Russian officials have been the victims of outrages. Do these facts point to a good understanding between the Duma and officialdom? As soon as the Duma decides on acts which are opposed to the interests of the Orthodox Church, the Church will use its influence against the Duma both at Court and in the country.

Up to quite recently the statement was always made in Russian official circles, as well as elsewhere, that the Russian nation was not nearly ready for a constitution, and for taking part in parliamentary legislation. People went as far as to say that a constitution and a parliament would be the greatest misfortune for the Russian Empire. Now that the Czar has been compelled by revolutionary forces and against his will to promise a constitution and a parliament, the same individuals and the same papers state that Russia is approaching a proud and happy development. What a contradiction!

Pobiedonoszeff pointed to parliamentarism, to

the principle of government by the people, as 'the great lie' of our time. According to his view, parliamentarism is the triumph of selfishness, its last expression.<sup>1</sup>

'Providence,' wrote Pobiedonoszeff, 'has preserved Russia from such misery by means of the great racial differences of its population. It is terrible even to imagine what would happen in our country if fate had given us the dreadful gift of an Old Russian parliament. May it never come to pass.'<sup>2</sup>

Such has hitherto been the official view of parliamentarism by the Church and the State.

The Czar's election laws for the Imperial Duma have been very carefully framed. The votes are given indirectly through district constituents. Quite indirectly every peasant has some influence on those elections, inasmuch as he elects delegates for the *Volost*, or district assembly of the village communities.

Since every ten farmsteads elect one delegate for the district assembly, an influence on the election is assured for every individual farmholder. Workmen in factories and mines are only entitled to a vote where more than fifty workmen are employed. For every 500 to 1,000 workers one delegate is elected.

<sup>1</sup> K. P. Pobiedonoszeff, *Sammlung moskovitischer Studien*, Dresden, 1904, p. 88.

<sup>2</sup> *Ibid.* p. 51.

These working men's delegates elect constituents for the town districts. In the towns every landowner, industrial ratepayer, railway employé, and every householder has a vote. These voters, again, elect only their representative delegates.

How long this election law will continue, and whether it is superior to the secret, direct vote, remains to be seen.

After the first two Estates had been joined to the Third Estate, and the three together had formed themselves into the National Assembly at the end of June, 1789, the National Assembly had a majority of nobles and clerics. To close upon 300 representatives of the nobility, and close upon 300 representatives of the Church, must be added nearly 600 representatives of commoners, among them a number of nobles and clerics, as, for instance, the Marquis de Mirabeau and the Abbé Siéyès. But what callings were represented among the remaining members of the National Assembly, the crowd of commoners? Were they peasants, or labourers, or industrials? The crowd of deputies of the Third Estate consisted of lawyers, officers of justice, notaries, State attorneys, assessors, bailiffs, and deputy bailiffs. Of these there were 373. Added to them were thirty-eight farmers, fifteen medical men, from fifty to sixty manufacturers, merchants, and independent men. Of the 577 members of the Third Estate 150 were landowners. Ten of them occupied important



public positions; there was one intendant, one State councillor, one tax collector general, one director of police, one director of the mint, &c.<sup>1</sup>

Among the 1,118 members of the National Assembly there were a large number of well-to-do and even very wealthy men. It is not necessary to prove this about the nobility. Among the 192 clerical members there were not less than forty-eight bishops and archbishops, and thirty-five abbots and canons. The income of these eighty-three eminent divines was very large—in some cases gigantic. A large number of bishops and archbishops in the France before the Revolution had, over and above their salaries, additional sources of income from abbeys, to the extent of from 34,000 to 100,000 francs (1,360*l.* to 4,000*l.*).<sup>2</sup> Such wealthy divines the Russian Imperial Duma is not likely to have among its members, for that sort of thing does not exist in the Russian Empire.

Among the representatives of the Third Estate well-to-do and wealthy men were to be found in perhaps even larger numbers. The French bourgeoisie, on the threshold of the Revolution, was in possession of a considerable share of the national wealth. During the last fifty years before the Revolution the large towns of France had grown

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition ii. Band, 1. Abteil. 2. Auflage, Leipzig, p. 149.

<sup>2</sup> H. Taine, *L'Ancien Régime*, p. 115. See also A. Wahl, p. 69.

continually. In 1789 Paris had no less than 750,000 inhabitants. 'I consider Bordeaux more wealthy, and its trade more important, than any one town and its trade in England, except London,' observed Arthur Young. 'Lately, French sea-trade has made greater progress than English sea-trade.'<sup>1</sup>

French exports, which in 1720 amounted only to 106 million francs (4,240,000*l.*), rose in 1788 to 354 million francs (14,160,000*l.*). The dividends on the French National Debt amounted in 1755 only to forty-five million francs (1,800,000*l.*), but in 1789 to 206 million francs (8,240,000*l.*), to which must be added sixteen million francs (640,000*l.*) for expenses. What a number of creditors do not these figures represent! And as the Third Estate is the only one which earns and saves, nearly all State creditors belong to it.<sup>2</sup>

As the large number of lawyers among the parliamentary representatives of the Third Estate belonged to these wealthy sections of the middle classes, the average representative of the Third Estate may be regarded as a well-to-do citizen and State creditor.

The French National Assembly, then, consisted mainly of nobles, clerics, lawyers, officials, land-

<sup>1</sup> H. Taine, *France before the Revolution* (German edition), p. 361. See also A. Wahl, p. 339, and Otto Behre, *Preuss. Jahr.*, Jan. 1906, p. 92.

H. Taine, *France before the Revolution* (German edition), pp. 360, 361.

owners and manufacturers. A very large section of them were—as State creditors and landowners—interested in the continuation of existing things. Is it possible to imagine for a gigantic Parliament of 1,118 individuals a composition more closely linked with the interests of the State? If the Russian Imperial Duma shows a composition only nearly as favourable, Czar Nicholas may well congratulate himself.

Although the peasantry in pre-revolutionary France, as in Russia, made up about four-fifths of the population, the poor, starving, sorely-oppressed peasants were hardly at all represented in Parliament. This was no doubt due to the lack of education among the peasants. As the Russia of to-day, France had long ago adopted compulsory education; but there, too, exactly as in Russia, it was not enforced under the old *régime*. Exactly as is the case in Russia, so the art of writing and reading was very unequally spread over the various parts of the country. The best educated peasants in France were those living in the provinces bordering on Germany, as they are in Russia at the present time. Careful inquiries lead to the assumption that towards the end of the old *régime* only about three-fourths of all the peasant farmers in France could read, and about half of them could write their names.<sup>1</sup>

<sup>1</sup> A. Wahl, *Vorgeschichte der Französischen Revolution*, p. 94.

In 1902 only four and a half million out of twenty million Russian children who, according to German ideas, had reached the school age, were sent to school. In 1885 the average of illiterates all over the Russian Empire amounted to 73 per cent. In Russia proper the number of illiterates among adults amounts at present even to 94 per cent.<sup>1</sup>

Why, then, was the course of events in France so tragic? Was there still a reason why this well-to-do, legal, feudal, clerical National Assembly should continue the revolutionary movement after King Louis, in simple black morning dress, acting, so to speak, as the first citizen of France, had tearfully and with many sobs explained, amid storms of applause from the gigantic assembly, that he was in perfect agreement with the democratic constitution decided upon by the National Assembly?

If the limitation of an absolute monarchy by a constitutional government had been the only object of the French Revolution, the Revolution would have been at an end when the democratic-monarchical constitution was granted. But since the causes of the French Revolution lay deeper, especially in the contrast between the claims of the masses which had been called into being by Rousseau's doctrine of equality, and in actual want of food, the agreement between the King

<sup>1</sup> Geoffrey Drage, *Russian Affairs*, London, p. 89.

and Parliament as to the constitution could not stop the Revolution. Since wages in town and country did not increase, but decrease, through the Revolution, the conflict between the National Assembly and Necker, the Minister of Finance, was unavoidable, and the disturbances and dissatisfaction in the country continued. The Berlin reader of newspapers read in the spring of 1790 as much about plunder, robberies, murders, lack of employment and peasant revolts in France as he has read in the spring of 1906 of such matters in Russia.

When an old form of government dies out it does not by any means follow that the talents are at once forthcoming for carrying on a new government. The Russian Imperial Duma will be even less in a position to end the revolution and to carry on a reasonable government by Parliament than was the French National Assembly. The social contrasts which underlie the Russian revolution are incomparably stronger than they were in France. And in all probability Czardom will not allow Parliament to take the power out of its hand as easily as French kingship did.

When the National Assembly was dissolved on September 30, 1791, after an existence of three years, it was a foregone conclusion that its successor, the Legislative Assembly, would have more radical tendencies. And in the days of the Legislative Assembly (October 1791 till September 1792) public opinion,

which had been formed at the clubs, was always well in advance of Parliament in its radicalism.<sup>1</sup>

Even during the existence of the well-to-do, legal, feudal, and clerical National Assembly the King and his family were obliged to make the attempt to escape on June 21, 1791. When the National Assembly heard, on the morning of June 21, of the flight of the King, most of the members hoped that the attempt would succeed. The Paris populace, however, desired that the King should be arrested.<sup>2</sup> During these days the National Assembly formally assumed sovereign power for the first time. But it was already the Legislative Assembly which, after the storming of the Tuileries, on August 10, 1792, published the famous decree according to which Louis XVI. was for the time being deprived of his royalty, and a National Convention was called.<sup>3</sup> The third Parliament, the National Convention (September 1792 to October 1795), condemned the King to death, in January 1793, by 361 votes against 360.

As surely as the Russian State is drifting towards bankruptcy, so sure it is that the new Russian Imperial Duma will also come into conflict with the Czar, and will in the course of time assume a more and more radical character. It will perhaps begin with the

<sup>1</sup> H. Taine, *The French Revolution* (German edition), part 3, p. 9.

<sup>2</sup> Thiers' *History of the French Revolution*, part 2. Leipzig 1854, p. 96.

<sup>3</sup> *Ibid.* part 4, p. 84.

demand for the publication of the Red Book. The Russian Imperial Duma will also demand the production of proofs of all the Government's secret expenses, which, under the old *régime* in France, were put down in a Red Book. On March 16, 1790, the Paris correspondent of the 'Vossische Zeitung' wrote: 'The notorious Red Book, this monument of the rapacity of courtiers and the robberies of ministers, has at last been entrusted to the committee for examination. Here we come upon one of the chief sources of poverty in the munificent presents which the courtiers knew how to exact.'<sup>1</sup> Perhaps the exposure and explanation of such embezzlements will have the same effect on Russian State securities which the publication of the Red Book had on French State securities. On April 9, 1790, the 'Vossische Zeitung' received a full report concerning the contents of the Red Book. 'The publication of this book,' the Paris correspondent writes in conclusion, 'has meanwhile had the effect of sending public stocks up, for it is believed that a Government, which was able to stand such abuses at a time when they could not be prevented, will easily be able to recover when the publication of all expenditure will forestall the recurrence of these robberies.'<sup>2</sup> We need not add that the rise in public and royal stocks, which had fallen lower than ever after the great reconciliation between

<sup>1</sup> *Vossische Zeitung*, Thursday, April 8, 1790.

<sup>2</sup> *Ibid.* Thursday, April 22, 1790.

the King and the National Assembly on February 4, did not last long.<sup>1</sup>

The Imperial Duma will become more and more radical because the people will ; and the people will become more and more heated by political and social agitation because, with the beginning of the agitation for an electorate, the last barriers are falling which separate the poor starving peasants from political life. The Government of King Louis XVI. refrained from exerting any influence on the elections of the States Assembly, in the spring of 1789. The Government of Nicholas II. is already making elaborate preparations for influencing the second electorate. Notwithstanding all modern means of communication the Russian revolutionaries may find that their work in the vast, sparsely populated country is more difficult than was that of their predecessors in densely populated France. Only with the electoral agitation the French peasant who, as a rule, did not know how to write, began to be interested in general politics.

Who was the peasants' guide at the moment when the French States Assembly was called, and when the elections for the Third Estate began ? The man of law, says Taine ; the small village lawyer, the envious, theorising barrister. All over France lists of complaints were prepared for the representa-

<sup>1</sup> *Vossische Zeitung*, Thursday, February 25, 1790 ; report from Paris dated Feb. 12.



tives of the Third Estate, which were to be presented at Paris. The peasant insisted that in these lists his local and personal difficulties, his objections to rates and taxes, his desire to be allowed to carry a gun against wolves, should be fully enlarged upon. And the lawyer, who urged and suggested all this, wrapped it all up in the Rights of Man. At the end of May 1789, a commandant writes from the South to the Minister of Finance, Necker : ' For the two last months the subordinate judges and advocates with whom the towns and villages swarm, and who wish to be elected to the States Assembly, have approached the Third Estate with the pretence of aiding and enlightening it.'<sup>1</sup> The Intendant of Tours wrote, at the end of March 1789 : ' Most of the votes have been obtained by begging or compulsion. Those who knew pressed voting papers, already filled in, into the hands of the electors at the last moment, and at the inns their heads were turned with all sorts of leaflets in favour of a candidate of the judicial order.'<sup>2</sup>

It was during this election for the States Assembly that it became clear what road the Revolution would take. The man of the people, as Taine says, was instructed by the lawyers ; the man of the pike was led by the man of the quill.

<sup>1</sup> H. Taine, *France before the Revolution* (German edition), p. 444.

<sup>2</sup> H. Taine, *Origines de la France Contemporaine*, vol. i. p. 445.

From the point of view of parliamentary technicalities, the Imperial Duma has a considerable advantage over the French National Assembly. It has only 512 members instead of the 1,118 members of the National Assembly.<sup>1</sup> It may also be taken as an advantage that monarchical power still actually exists at Petersburg. After the military mutinies of July 13, 1789, the mob could do almost anything at Paris. But who would guarantee that in the Imperial Duma also, in course of time, the mob, filling the galleries as spectators, do not become a determining factor? The Jacobin Club, or, in other words, the Duke of Orleans, kept in 1790 no less than 750 individuals, mostly army deserters or dismissed soldiers, who received a daily wage, first of five francs, later on of two, for controlling the National Assembly from the visitors' galleries.<sup>2</sup> He who dared to vote against the Jacobins risked, at the least, a good thrashing in the streets.

The liberal deputy Malouet declared that he rarely went to a meeting without pistols. On September 27, 1790, the national economist Dupont, who had made a speech against the assignats, on leaving the room was surrounded, hissed, thrown about, pushed to the Tuileries pond and plunged in,

<sup>1</sup> Russia in Europe has 412, the rest of Russia (Poland, Caucasus, Siberia) 100 districts.

<sup>2</sup> H. Taine, *Origines de la France Contemporaine*, vol. ii. part 1, 162.

when finally a sentry came to his aid.<sup>1</sup> In telling this story, I would remind Russian national economists in the Imperial Duma what sort of consequences they have to expect when they think of covering State expenditure by increased taxation instead of keeping the bank-note printing press in action.

Up to the summer of 1791 the 400 monarchists of the French National Assembly had either been obliged to fly or had been silenced.<sup>2</sup> Probably the elements in the Duma which are hostile to the Government will also eventually succeed in silencing all opposition by means of systematic suppression.

After King Louis had accepted the constitution the contrasts in the National Assembly were in no way greater than in any other Parliament. In the Imperial Duma, however, contrasts which cannot be adjusted will at once make themselves very forcibly felt. The peasants' land-hunger is incompatible with the interests of the landowners from whom the land is to be taken. All the parties which are dissatisfied with the Government will be backed by the non-Russian nationalities. In all probability, the fruitlessness of parliamentary debates will positively compel the Government into reactionary measures directed against the Imperial Duma, thereby giving the signal of a renewed

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. ii. part 1, p. 164.

<sup>2</sup> *Ibid.* p. 166.

unfurling of the flag of the Revolution by the majority of members.

Only when the parliamentary majority has come into open conflict with the Crown will the loyalty of the greater part of the army begin to slacken.

Thus, in 1642, an English parliamentary army opposed the troops of King Charles I. In its conflict with King Louis XVI. the States Assembly created the National Guard and the Paris corps in which the mutineers of the French Guards took service. The countless more or less important mutinies of the Russian army and navy in 1905 and 1906 will be succeeded by greater mutinies under the ægis of the Imperial Duma.

#### THE DURATION OF THE REVOLUTION

When Czar Nicholas II., on October 30, 1905, promised a constitution under pressure of the general railway strike, countless beings imagined that the Russian revolution had come to an end after those three days of existence. Burke, the Englishman, took a wider view, in 1790, when he pointed out in his book which, according to Taine, is a masterpiece and a prophecy in one, that the French Revolution would only end with the military dictatorship—that most absolute despotism the world has ever known.<sup>1</sup> It was obvious that the road to that goal must be a long one.

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. ii. part 1, p. 152.

During the first years of the French Revolution not even the leading personages in Paris had a clear idea whether the revolution was ended, or whether it would break out again. In the autumn of 1789 the Mayor of Paris, Bailly, demanded enormous sums from the Minister of Finance for the maintenance of the Paris populace, giving as his reason that without such means a new revolution would break out.<sup>1</sup>

In the chapter, 'Was the Russian or the French Revolution avoidable?' it has been shown that the Russian revolution can only come to an end after many years, and after the Russian nation has become completely exhausted. But would it not, after all, be possible that the Russian revolution should come to an end in a year or two? Is there any sure sign by which its duration may be judged? The comparison with the French Revolution supplies a certain sign. The French Revolution lasted ten years, till Napoleon, as First Consul, declared in his proclamation, of December 15, 1799: 'The Revolution is at an end.' Not only France but the whole world was convinced that this man would justify his words by deeds.

When will the man arise, in the course of decades, who will declare to the Russian nation, sorely tried with revolutionary troubles: 'The Revolution is at an end,' and whose words the

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit*, i. Band, p. 117.

whole world will believe? The heir of the Russian revolution has a far more difficult task than had the heir of the French Revolution. The pacification of revolutionary France was difficult enough. Only one man was found for this gigantic work, and that man was not a Frenchman. There was not a drop of French blood in his veins.<sup>1</sup>

Partly Corsican and partly Italian, Napoleon, even as lieutenant, still hated the French as the oppressors of his country, Corsica.<sup>2</sup> As a cadet at Brienne, he said to Bourrienne, later on his adjutant-general: 'I shall do all the harm I can to thy French people.' The conquest of Corsica by the French took place from July 30, 1768, till May 22, 1769. On August 15, 1769, Napoleon was born. If chance had not led this unique genius into the French Revolution the Revolution might have lasted another ten years.<sup>3</sup> There is no likelihood whatever that so incomparable a genius will appear within the next ten years in the Russian Empire. But even if that genius were found, he would not have the power or the chance of saying: 'The revolution is at an end.'

In the year 1799 the French Revolution came to a natural end. All France was at one in the desire

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 168.

<sup>2</sup> *Ibid.* pp. 2 and 7.

<sup>3</sup> *Ibid.* vol. i. part 1, p. 5.

for quiet. All obstacles to social and economic progress had been swept away by the Revolution. The causes that had led to the Revolution existed no longer. And the wounds inflicted by the Revolution were waiting to be healed. The physician for the France that was bleeding from a thousand wounds was the Corsican. Before 1789 the average taxpayer paid taxes to his three masters, the King, the Church, and the landlord. The taxes amounted to about four-fifths of his income. After 1800 he paid to the State, his only master, an average of a little over one-fifth.<sup>1</sup> This enormous change had been brought about by the Revolution. In a letter of October 17, 1799, Lafayette writes: 'You know that in your country (France) there were a large number of beggars and people who died of starvation. There are no such individuals to-day; the peasants are better off, the country house better built, and the women better dressed.'<sup>2</sup> The cessation of all feudal and Church taxes, and the lightening of the State taxes enabled the peasant to improve his farming. The acquisition by the peasants of the enormous landed properties of the Church and the nobility furnished the individual peasant with capital for more scientific farming. The property of the Church and the nobles absorbed by the State had

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 241.

<sup>2</sup> *Ibid.*

been sold at low prices to 1,200,000 Frenchmen, mostly farmers, who paid in assignats.<sup>1</sup> Even the most recent examination, by Fritz Wolters, of the agrarian conditions in France has established the fact that the amount of land held by the two upper classes in pre-revolutionary France was too large for a healthy development of French agriculture.<sup>2</sup>

The Revolution brought about the liberation of land, labour, and trade in France, and thereby became the foundation of the increasing wealth of the French nation. But the longer the Revolution lasted the more every thinking Frenchman became convinced that the advantages of these innovations could only be enjoyed by the nation after the ending of the Revolution.

In the course of the Revolution no fewer than 159,000 Frenchmen had emigrated, according to the official list. According to the law, every emigrant was considered dead as a citizen, and his goods went to the Republic. If he was daring enough to return he was executed; his identification was sufficient to justify his being shot on the spot, and neither delay nor appeal was granted him.<sup>3</sup>

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 108.

<sup>2</sup> Fritz Wolters, 'Studien über Agrarsustände und Agrarprobleme in Frankreich, von 1700-1790,' in Schmoller's *Staats- und Sozialwissenschaftlichen Forschungen*, Leipzig, 1905, p. 28.

<sup>3</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 168



Since the middle of 1905, the well-to-do and educated classes, which are chiefly threatened by the revolution, have gone abroad from various parts of Russia. Especially, the emigration of Germans and other foreigners living in Russia has been very large. The number of those who have already left Russia in consequence of the revolution is probably over 100,000. A number of these returned to Russia in February and March, 1906. But the emigration of well-to-do families from Russia still continues. Fortunately for the emigrants, the revolution has not hitherto put a stop of any duration to Imperial power in any part of the empire. In the interest of the emigrants it is to be hoped that the Duma will never follow the example of the French National Assembly, and, after getting the power into its hands, make laws against emigrants.

After the political stratagem of the 18th Brumaire (November 9, 1799), Napoleon gave permission to certain groups of emigrants to return. By order of the Senate, on April 26, 1802, their return was permitted on principle. The small number of country houses which had not by that time been sold by the State were returned to their former owners. Of landed property to the value of two milliard francs (40,000,000*l.*), only 100 million francs (4,000,000*l.*) were returned to the nobles.<sup>1</sup>

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 178.

During the first four months after July 14, 1789, there were far fewer victims of the French Revolution than there were in Russia during the four months following October 27, 1905. This applies both to human lives and to capital. In both respects Russia suffered particularly heavy losses, because the revolutionary movement in the various parts of the country was followed by a terrible reaction, affecting both men and property. In the course of four weeks during this reaction, from January 7 to February 7, no fewer than 1,400 human beings are said to have been put to death. The executions went on uninterruptedly throughout March. The prisons were as crowded as they ever were during the French Reign of Terror. The Russian revolution has from the outset been of a Tartar-Asiatic character, and the cruel beginning foreshadows a cruel continuation. In France, also, the first four months gave strong proof of the brute in man. Numerous aristocrats, clerics, and soldiers, but also harmless master bakers, were torn to pieces by the mob. The rising of the Lett and Esthonian populace during the first months of the Russian revolution may be compared to the peasant rising in Eastern France in the autumn of 1789. In France also periods of comparative quiet succeeded the first outbreak of the Revolution. But it was rare that a month passed during which there was not some rising either in town or country. How many

human beings lost their lives in consequence of the French Revolution? An exact answer to this question is not now possible, since the then Government omitted to collect accurate statistics. But it seems to be an established fact that during the ten years of the Revolution there was no decrease in the average population. The same France which, in 1789, numbered twenty-six million inhabitants numbered 27·3 million in 1801, and thirty million in 1816.<sup>1</sup> This increase in population is the more remarkable since the wars of the Revolution, together with the Napoleonic wars, cost the lives of millions of Frenchmen.<sup>2</sup> According to H. Taine, 800,000 Frenchmen fell in the wars of the Revolution; while, under the Empire, from 1804 to 1815, no fewer than 1,700,000 perished on the battlefield.<sup>3</sup> During the same period the productivity of labour in town and country had increased to an extraordinary degree, owing to the economic improvements due to the Revolution, to the introduction of English inventions, and through the increasing power of France under Napoleon. The distribution of the landed property of the Church, valued at four milliard francs (160,000,000*l.*),<sup>4</sup> and that of the

<sup>1</sup> Otto Behre, 'Deutschland und Frankreich,' *Preussische Jahrbücher*, Jan. 1906, p. 83, and Dr. M. Block, *Bevölkerung des französischen Kaiserreichs*, Gotha, 1861, p. 7.

<sup>2</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. iii. part 1, p. 181.

<sup>3</sup> *Ibid.* p. 98.

<sup>4</sup> *Ibid.* p. 210.

nobility, valued at close upon three milliard francs (12,000,000*l.*), had considerably raised the means of the nation.

Moreover, crops were abundant in 1792, 1793, and even in 1794.<sup>1</sup> Also, the marriage-rate, and therefore the birth-rate, increased greatly during the first years of the Revolution.

In the midst, however, of this forward movement of the French people there was terrible misery, caused by the Revolution. The number of executions in the name of the Revolution amounts to at least 17,000. During the first days of September, 1792, there were murdered in the prisons of Paris, at the instigation of the Government of the Revolution, and in the most dastardly manner, 1,300 prisoners, mostly belonging to the aristocracy. In 1793 and 1794, at eleven mass-drownings at Nantes, 4,800 men, women, and children were put to death.<sup>2</sup> At the meeting of the Convention on October 24, 1792, Marat declared that 270,000 heads must fall in order that public order might be ensured.<sup>3</sup> Countless human lives were lost in the civil war in the Vendée. In the course of years the wars of the Revolution, the unsettled laws, and the assignat system brought untold misery into large

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. ii. part 3, p. 488.

<sup>2</sup> *Ibid.* pp. 865, 867.

<sup>3</sup> *Ibid.* p. 176.

districts of France. Taine's calculation<sup>1</sup> is by no means unreasonable that more than a million human beings perished in consequence of this misery.

Thus poor, heavy-laden France in 1799 longed for peace and order, for a Cæsar, as rarely a country has ever longed. Napoleon, grasping in his firm grip the helm of the French State, for ever banished the dread ghost, Famine, which had oppressed the dense population so sorely in the days of the Kings and of the Revolution. 'This century-old ghost retreats and disappears, never—with two local exceptions in 1812 and 1817—to appear again in France.'<sup>2</sup>

This is where the elemental difference lies between the French and the Russian revolutions. Uncertain as the future no doubt is, one thing is absolutely certain—namely, that no Cæsar, though he were the greatest of all times, could in ten years' time banish famine from the Russian Empire. The ignorance and poverty of the peasants, the three-field system of farming, and communal property will, in ten years' time, be almost as much the causes of great famines in the Russian Empire as they are to-day. And probably the destruction due to the revolution and reaction will have caused such moderate well-being to disappear as Russian farming produces in a few districts.

<sup>1</sup> H. Taine, *Origines de la France Contemporaine* (German edition), vol. ii. part 2, p. 496.

<sup>2</sup> *Ibid.* vol. iii. part 1, p. 242.

On the threshold of the French Revolution the whole of the peasantry were dominated by the sole desire for the abolition of almost all taxes on land held by the peasants. The payments of the Russian peasants for freeing their land are to be discontinued from the year 1907, according to the Emperor's ukase of 1905. The desire of the Russian peasant is centred with equal strength on the extension of his land. This desire, however, can only be fulfilled by the Government in quite inadequate measure. And even if the Government could make the grant, this measure would only mean a prolongation of the existing misery, and consequently of the causes of the revolution.

That which the Russian peasant ought to desire—namely, a better education and capital for improved farming—he does not desire.

That which the Government ought to grant the peasants—namely, a better education and capital for improved farming—it does not grant. Neither the peasants nor the Government are firmly decided to do away with land communism (communal property) and to replace it by giving the peasants the right to hold private property of their own.

The peasant burns down the country houses of the nobles, and the Government burns down the farmsteads of the peasants.

If, in the years or decades to come, the ruling powers should make a serious attempt at replacing

communal property by private property, then the ignorant and superstitious peasants, stirred up by social-democratic and collectivist agitation, will fling the fiery torch of revolution into every village in the Russian Empire.

In the perversity of this double revolution of peasants and rulers, and in the coincident meeting between the collectivism of the industrial workers and the peasants, lies the guarantee for the continuation of the revolution for many years to come.

Will the crater of the Russian revolution have ceased for ever to be active when the fight for the ideas of collectivism shall, on some future day, have been brought to an end in other parts of Europe and in America?

## CHAPTER VII

THE GERMAN EMPIRE AND THE RUSSIAN  
REVOLUTION

IN the spring of 1789 the Empress Catharine II. of Russia tried to form an alliance with Austria, France, and Spain against the little State of Prussia. Prussia had promised to support the Polish Parliament against Russia; only England and Holland were on the side of Prussia at that time.<sup>1</sup> The dangers of the Kaunitz coalition of 1757 threatened Prussia once more.

In this grave situation the Prussian Minister of Foreign Affairs, Count Hertzberg, received the first news of the outbreak of the French Revolution with sincere pleasure. On July 5, 1789—that is to say, nine days before the storming of the Bastille—he reported cheerily to King Frederick William II.: ‘In France royal power has come to an end; the troops have refused to act; Louis has declared to the people that he considers the royal sitting as not having taken place. This seems almost like

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit 1789–1800*, Wohlfleile Ausgabe, i. Band, pp. 197–203.



the announcement of a Charles I. scene; it is an opportunity by which wise Governments must endeavour to profit.'<sup>1</sup>

King Frederick William II. was, in Sybel's opinion, a man of great natural gifts, filled with the desire to raise and strengthen his country.<sup>2</sup>

'I am only interested in these matters as far as they are of importance in connection with the influence of France upon European affairs,' the King had written, on July 3, to Count Goltz, his ambassador at Paris. On July 15, 1789, the day after the storming of the Bastille, Count Goltz replied: 'Your Majesty's position in Europe is considerably strengthened by the storming of the Bastille and the weakness of the Queen.' On July 26 Count Hertzberg wrote to the King: 'In France the monarchy has fallen, and the Austrian alliance is at an end; this seems the right, and the last opportunity of which your Majesty can make use to give your monarchy the highest degree of stability; the Imperial Courts can no longer count on France.'<sup>3</sup>

Thus the Prussian Minister of Foreign Affairs expressed himself with regard to the French Revolution. He thereby confirmed the favourable opinion which Frederick II., the great King of Prussia, always entertained concerning him. The King

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionsszeit 1789-1800*, Wohlfelle Ausgabe, i. Band, p. 204.

<sup>2</sup> *Ibid.* p. 200.

<sup>3</sup> *Ibid.* p. 204.

once called the Minister his pupil in diplomatic affairs.<sup>1</sup> King Frederick William II. entirely agreed with his Minister's views in this matter. With the King's sanction the Prussian Ambassador, Count Goltz, entered upon most confidential and important relations with the democratic party of the French National Assembly. Like his Minister, Frederick William II. saw in the momentary annihilation of the French Court the warding off of a terrible danger to Prussia.

'The thought never occurred to him,' writes H. von Sybel, 'that it was a royal duty to stand by the French royal house against the demon of revolution.' Henceforth the King entered with redoubled energy upon Hertzberg's ambitious plans for the acquisition of important parts of Poland—namely, Danzig, Thorn, Posen, and Kalisch. Frederick William II. now recognised the possibility of being obliged to go to war, and as early as September 1789 his utterances show clearly that, unlike his Minister, this prospect did not frighten, but rather attracted him.<sup>2</sup>

The outbreak of the Russian revolution has ended whatever remnant of importance the Russo-French alliance—which was directed against Germany—retained after Mukden and Tsushima.

<sup>1</sup> H. von Sybel, *Geschichte der Revolutionszeit 1789-1800* Wohlfels Ausgabe, i. Band, p. 198.

<sup>2</sup> *Ibid.* p. 204.

The German Empire has been permanently freed from its greatest anxiety in its foreign affairs. On the European continent it need fear no more dangers. Thus, the beginning of both the French and the Russian revolutions have had favourable consequences for Prussia. Only, in 1789, little Prussia, with its six million inhabitants, was intending to extend its possessions considerably, and in doing so had been confronted with the danger of a war against the seventy million inhabitants of Russia, Austria, and France.<sup>1</sup>

The continuation of the Russian or Great Revolution not only separates Russia for a long course of years from the Great Powers capable of action, but it also fetters its French ally. France holds about eleven milliard francs (440,000,000*l.*) in Russian State paper, and in addition to these has invested some two and a half milliard francs (100,000,000*l.*) in Russian industries and railways. Of these two and a half milliard francs (100,000,000*l.*) French industrial loans, a great deal has already been lost through bankruptcies and liquidation since the beginning of the Russian industrial crisis in 1898.<sup>2</sup> The Russian revolution will still further diminish the value of what remains. As soon as

<sup>1</sup> In 1789 Russia had twenty-five million inhabitants. O. Behre, 'Deutschland und Frankreich,' *Preussische Jahrbücher*, Jan. 1906, p. 98.

<sup>2</sup> Alexander Ular, *Die russische Revolution*, p. 206.

the Russian State discontinues the payment of dividends, entirely or partly, the value of the 440,000,000*l.* Russian State paper will decrease in proportion. The French capital of about twelve milliard francs (480,000,000*l.*), which at the present moment is still invested in Russia, represents more than the tenth part of the movable wealth of France, which has been valued at 104 milliard francs (4,160,000,000*l.*).

If Germany had followed Prince Bismarck's advice, and had gradually got Russian securities out of the German market, France would have been obliged to advance the additional two and a half milliard francs (100,000,000*l.*) which Germany holds to-day in Russian State securities. It is particularly to be regretted that the Russian State has succeeded in raising in January 1905 another 500 million marks (25,000,000*l.*) in the German Empire. If Germany had refused the loan, France would have been obliged to raise it.

Every additional milliard lent by France to the Russian Government, or to Russian enterprise, diminishes French national property, and further disables France from going to war against Germany. Every milliard marks which Germany withdraws from Russia means, in the face of Russia's deplorable position, an increase of Germany's national property, and an increased ability to go successfully to war.

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In the measure in which Germany gets rid of Russian stock, its financial and military superiority over France and Russia increases. A kindly fate has given the German Empire the chance of enormously strengthening its position in an undreamt of and peaceable manner.

How much more carefully would France have treated Germany in the Morocco affair if it had been obliged to lend its ally the three milliard francs (120,000,000*l.*) which Germany has lent Russia? In the full possession of her economic strength Germany would be able to make her voice heard with all the greater effect in the council meetings of the nations.

By the restriction of her financial output, Germany insures her superiority not only over France, but also over Russia. The less Germany lends to Russia the more she will be feared by Russia.

When Prince Bismarck, in November 1887, forbade the Imperial Bank to accept Russian State scrip, he attempted to save German national wealth from the loss of the capital invested in Russia, and to prevent Russia from preparing for a war against Germany by means of German money. If this decree had not been annulled in 1893, Germany would not, some future day, have to mourn the loss of a considerable part of its national wealth. Even to-day, no one well acquainted with the state of Russian finance could possibly believe that the

Russian Government will be able to repay, on July 1, 1911, the 500 million marks (25,000,000*l.*) lent by Germany in January 1905.

Against the new great milliard loan which Russia intends raising I have publicly protested, for national and social reasons, in my book, 'The Future of Russia and Japan' (p. 255).

The disinclination to the purchase of Russian State papers, which I have tried to carry into all parts of the German nation, has taken root. To-day a new Russian loan at German Stock Exchanges is an impossibility. The Russian loan of 500 million marks (25,000,000*l.*), raised in Germany in January 1905, will probably be the last sum for some decades by which the anti-German Imperial policy of the Czar of Russia is supported at the expense of German national wealth and German military efficiency.

My book has helped to awaken the public conscience. But I should wish that in future my agitation might render the injury of our social and national interests impossible. For this reason I have already, in my book on 'The Future of Russia and Japan,' expressed the hope that the Chancellor of the Empire might call a Russian commission, which, over and above inquiring into the safety of Russian State loans, should make suggestions for a revision of the penal and civil codes.

There is no doubt that, after the event of the

Russian State bankruptcy, the German Empire will have to take in hand the revision of its civil and penal codes, so as to render it impossible that milliards of the German national wealth should be lent to a State on the verge of bankruptcy. After the horse is stolen the stable door will be shut. By the Portuguese State bankruptcy in 1892, and the Greek State bankruptcy in 1893, the German nation has suffered heavily, and those especially whose means are small have been affected in a most regrettable manner. The Portuguese Government simply reduced the gold dividends to a third of their value by Royal Decree of July 13, 1892. The Greek Government, in December 1893, entirely ceased the payment of dividends. The State debts of these two small countries, however, amounted only to a few hundred million marks, of which only a small section fell to Germany's share. But even those small State bankruptcies brought misery to many German families.

The cessation of dividends on the two and a half milliard marks (125,000,000*l.*) of the Russian loan raised in Germany, means for Germany a social and national catastrophe of the most terrible kind. Through a financial catastrophe of such dimensions the financial mobilisation of the German Empire in case of war is made considerably more difficult. The entire wealth of the Prussian province, East Prussia, as has been shown by means of the Prussian

property-tax, is less than the 125,000,000*l.*, which Germany will lose in the Russian State bankruptcy. The penal code protects the national landed property of the German Empire, and of its separate States, by means of specially severe punishment. But the penal code up to the present has no idea of protecting the national wealth.

The institution of a Russian commission by the Chancellor of the Empire for public discussion as to the solvency of the Russian State would cause German capitalists to sell their Russian securities. At the present moment France and Russia would still endeavour to buy up the Russian securities at a fairly good price. Not Berlin, but Paris, in connection with Petersburg, determines prices.

When, presently, Russian securities have fallen some 30 to 40 per cent., there will be intense dissatisfaction in all German capitalist circles. The heavy losses on Russian State securities will occasion great depressions on the Stock Exchange. The crisis will spread to trade and industries. In such periods of excitement, which are inevitable, it will be well for the State authorities if they have done their best to protect German capital against injuries.

Never before has a nation been threatened in times of peace with the loss of from two to three milliards, as is the case in Germany at the present moment, or even with the loss of from ten to twelve



milliards, as will be the case in France. This possibility could only arise from the fact that a single State has been allowed to raise a loan of about twelve milliards in foreign countries, and might even borrow additional milliards.

Some industrial enterprises in Germany, such as the Howaldt works at Kiel, are already suffering from the financial difficulties of the Russian State. There are also signs that even its French ally begins to doubt the solidity of Russia. At the same time it would be wrong to think that there is not sufficient time for the German capitalist to get rid of his Russian State securities. Even if the Russian State should for years pay dividends in paper instead of gold, the Russian 1902 securities, which, on March 19, 1906, stood at 83·80, might now and again rise to above 50 per cent. at the Berlin Stock Exchange; for a State bankruptcy is a matter of gradual development.

After the French kingdom had come to an end, on August 10, 1792, and Louis XVI. had been taken prisoner, what prices did French State securities obtain? According to the Paris correspondent of the '*Vossische Zeitung*,'<sup>1</sup> of August 20, 1792, they rose slightly, and I can confirm the correspondent's statement from inspection of the Stock Exchange list in the '*Moniteur Universel*.'<sup>2</sup> The Emprunt

<sup>1</sup> *Vossische Zeitung*, Saturday, Sept. 1, 1792.

<sup>2</sup> *Moniteur Universel*, Aug. 1792.

d'Octobre de 500 livres rose from 427, on August 10, to 434 on August 17, 1792. Nor did the sentence of death passed on the King by the Convention on January 17, 1793, cause a panic at the Stock Exchange. On the contrary, it caused a slight rise in both State securities and private shares. Yet misfortune shortly after befell the Paris Stock Exchange. On June 17, 1793, it was closed for two years. The official lowering of the National Debt to a third of its amount followed in 1797.

German holders of Russian State securities may congratulate themselves that Stock Exchanges, as is shown in the history of the world, understand so little about revolutions and State bankruptcies. But every individual will do well to get rid of these investments as soon as possible, while Russian State securities retain their present prices.

It is to be hoped that when the day arrives on which the Russian State becomes insolvent as a consequence of the long-continued revolution, German capital will not be largely concerned in it. Then the advantages which arise for Germany from the foundering of the Franco-Russian alliance will far exceed the financial loss.

While France and Russia have in the main to bear the consequences of the Russian State bankruptcy, the economic and military power of Germany will steadily progress.

But could there not arise out of the Russian

revolution a mighty and victorious Cæsar, as was the case in the French Revolution—a man who, as a new Napoleon, would overthrow the German Power? The France of Napoleonic times was superior in civilisation to the Germany of that date. Moreover, France was fighting only against one of the small states of a devastated Germany. The low level of civilisation in Russia will prevent that country from becoming a danger to Germany for many years to come, notwithstanding its large population. The Russian revolution, which causes the national wealth to diminish, does not reduce the number of illiterate persons by the foundation of schools and educational seminaries. The advantages of the revolution will only be beginning to appear after many years. Napoleon Bonaparte stood at the head of a densely populated Empire of enlightenment and industry. The heir of the Russian revolution will stand on the ruins of a sparsely populated State of superstition and indolence.

Not Petersburg, as the Slavs have been dreaming for the last twenty years, but Berlin will develop more and more into the metropolis of continental Europe.

The more powerful the position of Germany on the continent of Europe, the more its friendship will be valued by Great Britain and Japan.

There is no island in existence that could force its will upon the continent of Europe.

With the Russian revolution the period of adolescence ends for the German Empire, and a new and greater epoch commences. Before long the German nation will realise what the task of its life is to be. The time for action is approaching in the course of the next years and decades.

The Russian Empire is falling to pieces.

## CHAPTER VIII

### A GLANCE AHEAD

ON October 27, 1906, a year had gone by since the day when the railway workers of the whole Russian Empire came out on strike in order to force a constitution from the Government. The retrospect over this first year of the Russian revolution enables us to some extent to form an opinion concerning the future. The events of the revolution are developing more slowly than was the case in the French Revolution. This more gradual development, together with other facts already mentioned, implies the longer duration of the Russian revolution. But the longer a revolution lasts the more terrible is the destruction caused by it.

Even the first year of the Russian revolution has given proof of the fact that the Czar is able to oppose the revolutionary movement with far more force than the King of France was able to do. Hardly ten weeks after the meeting of the States the bulk of the French army had gone over to the revolutionaries. On the morning of July 14, 1789, the day of the storming of the Bastille, it appeared that

of every six battalions of the French Guards five had deserted.<sup>1</sup> The Russian Imperial Duma met on May 10, 1906, and the French States Assembly on May 5, 1789. But, notwithstanding all the mutinies in the army and navy, Czar Nicholas II. in October 1906 was still the absolute master of his forces. The small army of 150,000 men that was at the disposal of Louis XVI. was more easily persuaded to desert than the gigantic army of the Czar, who has a standing force of 1-2 million men.

No sooner had the French States Assembly met than it became evident that it was more powerful than the King, for Louis XVI. was no longer strong enough to dissolve it. On July 22, 1906, Czar Nicholas dissolved the Duma without any difficulty. The protest of the members of the Duma, who immediately afterwards published a manifesto to the people at Viborg, in Finland, had no effect whatever. As the central organ of the revolution the Duma has so far failed to show that it has even approximately the strength of the French States Assembly. 'The Duma is dead, long live the Duma!' was the cry, not only in Russia but elsewhere as well, in the days following its dissolution. The Duma will live on. It will meet again, and perchance it will again be dissolved. In this struggle with the Crown it will develop more and

<sup>1</sup> H. Taine, *The Development of Modern France* (German edition), vol. ii. part 1, p. 56.

more into the central organ of the Russian revolution.

One year of the Russian revolution is past. What has been done during this year for the reformation of the Russian Empire? Absolutely nothing beyond the granting of a constitution. The force of contrasts in the Russian Empire, as we have shown in Chapter IV. (p. 89), is the sole cause of the Russian catastrophe. Has anything been done to cause these enormous contrasts to disappear? Neither the Czar nor the Duma have proposed or adopted any measure by means of which these social incongruities might be remedied. The unprofitable discussions in the Duma are nothing but a faithful reflection of the tangled condition of the Russian Empire.

The year that is past has not done away with the unfavourable circumstances of the Russian peasant and the backwardness of Russian agriculture. A visit to-day to a Russian village would show no sign of agricultural progress. The peasant lives in the same ignorance, superstition, poverty and filth in which he has always lived. Hundreds of members have spoken on the agrarian question during the first days of the Duma, but all these speeches taken together have failed to gain for the peasant better education and additional capital. The one point of agreement between Stolypin, the Prime Minister, and the members of the dissolved Duma is this, that

the agrarian question is the most important problem which Russia has to face. No one, however, can solve this problem.

Messrs. Muromzeff and Petrunkevich, the leaders of the constitutional democratic party, are as fully aware as the Prime Minister that the Russian peasant has neither the education nor the means for more scientific, and therefore more successful, farming. For this reason they all look to the increase of the peasants' land as the best means for the solution of the agrarian problem.<sup>1</sup> In the autumn of 1906 the Government is offering for sale to the peasants four million desyatin (roughly 10,000,000 acres) arable land and three and a half million desyatin (8,750,000 acres) forest land belonging to the State and the Crown. This is without a doubt a move in the right direction, and meets the wishes of both the peasants and the Duma. Although the Russian State owns no less than 150 million desyatin (375,000,000 acres) land, and the Crown nearly eight million (20,000,000 acres), the Government can hardly offer much more arable land to the peasants for a considerable time to come, since of the territory belonging to the State, which is mostly situated in the sterile north of Russia, only about 2½ per cent. is arable, while over 69 per cent. is forest land, and more than 28 per cent. is swamp.<sup>2</sup>

<sup>1</sup> A. A. Manniloff, *Zur Agrarbewegung in Russland*, p. 70. Teutonia Verlag, Leipzig, 1907.

<sup>2</sup> Geoffrey Drage, *Russian Affairs*, p. 86, London, 1904.



The land offered by the Government is situated in the north and the south-east on the borders of the cultivated districts of European Russia. The colonisation of this land would, therefore, necessitate a change of domicile. Such a change to a distance far from home is, however, not popular with the peasant class. What they want is an increase of land close to their own village. Since the liberation of the peasants in 1861 the plot of ground allotted to each peasant has shrunk from 4·8 desyatin to 2·6 desyatin owing to the increase of population. As a result of the three-field system of farming, which obtains very widely, this lack of land becomes more marked year by year. As I predicted even before the meeting of the Duma, the Russian Parliament had from the outset constituted itself the mouthpiece of the peasants demanding more land. In the long debate on the agrarian question the majority of the Duma arrived at the decision to propose the abolition of private land property for the benefit of the peasants. Over and above the 131 million desyatin (327,500,000 acres) land allotted to the peasants and owned by the village communities, Russia—apart from Finland, Poland, and the Caucasian districts—has ninety-three million desyatin (232,500,000 acres) land which is owned by private individuals. Of this seventy-three million desyatin (182,500,000 acres) belong to the nobility. But even at the

present moment half the land owned by individuals as well as half of that belonging to the State is let to the peasants. In fact, the entire acreage rented by the peasants amounts to some forty million desyatin (100,000,000 acres).<sup>1</sup>

The most important problem with which the Government and the representatives of the peasants will be confronted for some time to come is the demand of the peasants and of the Duma that the ground property owned by the Crown and the Church, amounting to 108 million desyatin (270,000,000 acres), should be relinquished and made over to the village communities, or to the State, or to individual peasants, for the purpose of being cultivated by the peasantry. There is hardly a Russian village the natives of which are not agreed in their desire for the division of the estate belonging to the noble squire or to the Church. The peasant's first and foremost concern is to obtain additional land free of cost, for cultivation by himself and his children. Whether he personally, or the village community, or the State will be the owner, is a matter of minor interest to him. On the whole, he inclines to give preference to the idea that the village community, which already owns the peasants' land, should also take entire or partial possession, free of cost, of the estates of the nobles. The ideas

<sup>1</sup> A. A. Manuiloff, *Zur Agrarbewegung in Russland*, p. 78. Teutonia Verlag, Leipzig, 1907.

on this point put forward by the Duma differ as widely as do those held by the peasants. The land-hunger of the peasants knows no bounds. If the decision rested with them, private ownership would be entirely done away with. The leaders of the Cadet party and the men of science are, of course, more moderate in their demands for privileges for the peasants. According to the Moscow professor of national economy, Manuiloff, the extreme insufficiency of land would disappear if some 7,000,000 individual peasants had about 72,500,000 additional acres allotted to them. Of this additional land 40,000,000 acres should be in the Black Earth district, and 32,500,000 in other districts.<sup>1</sup>

The entire area of agricultural land in Russia not held by the peasants amounts at present only to about 180,000,000 acres. It will be a considerable undertaking if some 75,000,000 acres of this territory are added to the land already under cultivation. But it is not probable that the peasants would be satisfied with a piecemeal dole of this kind. They will demand entire possession of the 180,000,000 acres not yet under their cultivation. If this demand should be acceded to, the additional land at the disposal of the peasants would only add 42 per cent. to their present holdings.<sup>2</sup> The average Russian peasant,

<sup>1</sup> A. A. Manuiloff, 'Die Agrarfrage und ihre ökonomische Lösung,' in *Zur Agrarbewegung in Russland*, p. 78.

<sup>2</sup> *Ibid.* p. 60.

farming some fifteen acres, would consider it a fair division if half as much land again fell to his share.

But what does the entire or partial distribution of privately owned land mean in relation to the wealth and income of the Russian nation? According to Professor A. A. Manuiloff, the average yield of grain on land held by peasant farmers amounts only to from 14 to 20 per cent., and often to even less, of the products grown on private estates.<sup>1</sup> The large landowner, no matter whether he be a noble or a merchant, works with capital, and according to the principles of agricultural science. Scientific farming on the system of the rotation of crops is, apart from exceptional cases, found only on privately owned estates in Russia.

We have seen in the preceding pages that communal ownership is as much an obstacle to scientific farming as are the poverty and ignorance of the peasantry. If the peasants gain possession of the land now held by private owners, the yield of 180,000,000 acres of the land under best cultivation falls to one fifth or even one seventh of its present yield. The average yield of Russian farming in its entirety would be reduced by more than half. In consideration of the importance of agriculture in the Russian Empire, this would result in the reduction by half of the national wealth and income.

<sup>1</sup> A. A. Manuiloff, 'Die Agrarfrage und ihre ökonomische Lösung,' in *Zur Agrarbewegung in Russland*, p. 60.

The determined demand of the peasants for more land is nothing but the battle of barbarians against modern civilisation ; it is an onslaught against economic progress and an attempt at undermining the powerful position of the Russian Empire. Since the assembly of the Duma this campaign of ignorance, superstition and poverty against science, enlightenment and wealth has week after week made further progress, as the propaganda spreads from village to village, from town to town, affecting both peasant and political leader.

Perhaps the present Prime Minister Stolypin is, or his successor may be, a really capable statesman. Perhaps he will succeed in turning the fiercest cravings of the land-hungry peasantry away from privately owned land by allotting to them some thirty-five to fifty million acres in distant districts, for purposes of colonisation. But even if he succeeds in the years to come, in persuading some 2,000,000 peasants and their families to move, it will be found that not much has been gained. The further the new districts are removed from the centres of civilisation, the more the colonists will cling to their antiquated, unscientific farming, and the less will they be in a position to give their children a better education.

Although improved educational advantages were claimed with increasing energy in the political agitation during the first year of the revolution,

education in the Russian Empire has not only failed to make progress, but it has positively lost ground. For not only have the universities been closed for two whole years, but a number of seminaries have also, in consequence of the revolutionary movement, been closed as politically suspect.

The agrarian agitation, the famine and the advice of revolutionaries and members of the dissolved Duma that the people should refuse to pay taxes, have exhausted the funds of the Zemstvos (rural assemblies). In many cases the Zemstvos have been obliged to lessen their educational efforts and to close a number of schools. As the Zemstvos are mainly dependent upon the direct taxation of peasants and landed proprietors, the revolutionary movement and the general state of distress were sooner felt by them than at the Government offices. The Russian State draws its revenues mainly from the spirit monopoly and from indirect taxation. For the rest it exists on money from abroad. The Russian Zemstvos, however, which are chiefly responsible for agricultural improvements, increased means of traffic and elementary education, are not in a position to raise loans at Paris or London for the purpose of covering their deficit. With an annual budget of 105,000,000 roubles (say 11,100,000*l.*) the Zemstvos of thirty-four districts had to face a deficit of 70,000,000 roubles (8,050,000*l.*) on January 1, 1906.

As has been shown in the chapter on the duration of the revolution (end of Chapter VI) the French Revolution removed the causes for its being (p. 254). As early as August 4, 1789—that is to say, within the first two months after the beginning of the Revolution—the French nobles had relinquished all feudal rights, and the clergy had ceased to collect tithes. A few months later the landed property of the Church was made over to the State, and the sale began of national properties to 1,200,000 purchasers, mostly belonging to the peasant class.<sup>1</sup> During the first two years of the French Revolution the authorities did everything in their power to remove the economic and social causes which had led to the Revolution. A year after the beginning of the Revolution the legal, social and economic position of the peasant in France was far better than in any country on the European continent.

In October 1906 the Stolypin ministry was occupied with the framing of new laws removing the last legal limitations imposed upon the Russian peasant. It is even rumoured that the ministry intends the framing of an act for the discontinuation of communal property. Apart from the lack of education and capital, the system of communal property—that is to say, the collective claims of the community on all the land farmed by the

<sup>1</sup> H. Taine, *The Development of Modern France* (German edition), vol. iii. part 1, pp. 103, 196.

peasants and allotted to them in 1861 at the liberation of the serfs—is the greatest obstacle to more scientific farming. In European Russia, with the exception of Poland, Finland, the Caucasus and the Cossack district, 131,000,000 hectares (357,500,000 acres) are owned by the village communities. Only about 5,000,000 hectares (12,500,000 acres) have been bought privately by the peasants from the noble landowners, and only some 40,000,000 hectares (100,000,000 acres) have been leased. The most important part, therefore, of the area under cultivation by the peasants (176,000,000 hectares or 340,000,000 acres) is about to undergo a change of proprietor by being turned from communal into private property. It is obvious that the abolition of Russian communal property is one of the greatest social changes that have ever taken place in any country. The abolition of communal property in this country of illiterates, where exact surveying is as unknown as exact book-keeping, will require several decades.

The abolition of communal property, moreover, does not in any way commend itself to the majority of Russian peasants. As a rule not even the capable and industrious peasants who suffer most under the present system desire the change.<sup>1</sup> The great difficulty of this problem becomes at once

<sup>1</sup> Sir D. Mackenzie Wallace, *Russia*. Fourth German edition, vol. i. p. 159, Würzburg, 1906.



apparent when it is remembered that at present the individual peasant's share of communal land consists of at least four and sometimes more tracts, each situated at a distance from the others. Communal property in Russia is divided into three sections, namely, the land on which the village is built, the arable land, and the meadows, if a village has the good fortune to possess meadow land. In the first section every family has its cottage and garden, which go down from generation to generation by inheritance, and are not affected by the periodical redistributions. The community, however, has a kind of proprietary right even in this cottage.

The two other tracts of land are subject to the redistribution which recurs regularly at the end of twelve years, but on a system which varies somewhat in different districts. In accordance with the three-field system of farming the whole of the communal land is divided into three fields. One of these is destined for the winter crops of grain which, in the form of brown bread, forms the staple article of food among the peasantry. On the second field oats for the horses and buckwheat, a popular article of food in Russia, are grown. The third field lies fallow and is used as pasture land during the summer. The plot on which the winter crop has been grown this year is next year used for the raising of the summer crop, and the third year is allowed to lie fallow. In each of these three

fields each individual peasant has a long, narrow strip allotted to him. Thus every household in the village owns at least one strip in each of the three fields. In addition, a tract of meadow land falls to the share of each family. Under this system the individual is not, however, at liberty to farm his allotment as he pleases. For instance, he is not allowed to begin autumn ploughing before a certain date, since it would interfere with the rights of those members of the community who use the fallow ground for pasture.<sup>1</sup> Thus it will be seen that the abolition of communal property cannot be put into effect by merely presenting each individual peasant with the four or five tracts of land which he is farming. If this were done the antiquated three-field system of farming would be unavoidably perpetuated. If the road is to be cleared for more scientific farming, the tracts of land must cease to be interdependent as they are at present. Each peasant must, if possible have his fields and meadow allotted to him in one plot or close to his cottage. But since for the time being the peasant has neither the knowledge nor the capital necessary for more scientific farming, it would only tend to confuse him if the community no longer decided what part of the communal land should this season lie fallow. The education of the rural population should have been improved before so difficult a

<sup>1</sup> Sir D. Mackenzie Wallace, *Russia*. Fourth German edition, vol. i. pp. 107, 148, Würzburg, 1906.

problem as the abolition of communal property was undertaken.

In accordance, however, with the energetic demand of a peasant population numbering a hundred million individuals, which finds eloquent expression in the Imperial Duma, communal property, so far from being abolished, will actually be added to. The territory taken from the large landowners and the well-to-do farmers is not likely to be made over to the lack-land peasant as his private property. It will be added to the land held by the village communities. The village assembly, the Mir, will decide that one third of the newly acquired land is again to lie fallow, even though on the estate of the noble, from which it has been taken, the modern system of crop rotation has been in use for a generation past. If the land taken from private owners is added to the communal village property, a backward step from scientific to antiquated farming is bound to follow. This backward step is the result not only of the ignorance and poverty of the individual peasant, but also of the dulness of the communal assembly which, in its capacity of proprietor, arranges for the manner of farming.

Even if the Russian Government were to undertake agrarian reforms with concentrated strength and energy, it would be impossible, owing to innumerable complications, to raise farming to any

appreciable extent for years or even decades to come. A glance ahead at the future of Russian agriculture reveals an extremely awkward situation. As neither the system of land allotment planned by the Government, nor the abolition of the Mir correspond with the demands of the peasant population, the future debates of the Duma will reflect the heavy conflict between the Government and the peasantry.

Neither the Stolypin nor any other ministry will be in a position materially to improve the position of the Russian peasant and his farming. The position of the peasant and of agriculture meanwhile grows worse in the measure in which the population increases, the revolutionary movement continues, and the Zemstvos are obliged to limit their usefulness in connection with farming, road-making, and education. In consideration of all this, it is not difficult to foresee that the causes tending to revolutionise the Russian Empire will gradually increase as the years go by. During the first year of the Russian revolution the revolutionary fire has flared up only here and there, and has in every case been quenched; but below the surface this same fire is slowly smouldering, and each year there will be new outbursts, doing greater damage.

In the same slow and sure manner in which the revolution is spreading, the financial situation in Russia will grow from bad to worse. And in connection with finance it is more easy still to predict the

moment of the approaching catastrophe. The events of the year 1906, and above all the publication, in October, of the secret report of the Russian Minister of Finance, Kokovtzeff, dated September 5, 1906, enable us to form an opinion concerning the future development of the financial situation in Russia.

It is made clear beyond a doubt by this secret report that the financial situation of the Russian Government has proved to be far worse than was assumed in the Budget estimate for 1906. If the Russian Government had not succeeded in 1906 in raising a loan, the Budget deficit for the present year would have amounted to about 2,032 million marks (101,600,000*l.*). According to the forecast, it should have amounted to only 481 million roubles (51,950,000*l.*). It is true the report which the Russian Minister of Finance submitted to the Czar in all humility at the end of 1905 for the coming year made no definite mention of a deficit. On the contrary, the deficit was entered among the extraordinary Government income as a source of revenue 'from future credit operations.' Hardly three months later the Russian Government was obliged to extend this credit operation to a considerably higher amount. It made great endeavours to raise a loan of no less than 850 million roubles. After the publication of the secret report at the beginning of October 1906, Count Witte explained to a representative of the 'Matin' that this loan would

have been floated had it not been that Germany at the last moment refused to take any share in it. It was due to the attitude of Germany that the Russian Government only succeeded in adding to its resources the smaller amount of 677 million roubles of the gigantic loan of 90,000,000*l.*, contracted in April last. Since the various syndicates only took up the loan at 83½ per cent., and since there were other additional expenses which had to be covered, the result fell far short of the nominal amount.

Apart from this loan, the Government was obliged to raise at home another loan of 34 million roubles. But even this gigantic sum of 711 million roubles, raised by credit operations, proved insufficient for covering the deficit. The secret report, indeed, assumes that after the expenditure of the money raised by means of these loans, there will still be a deficit of 155 million roubles (16,750,000*l.*) for the year 1906. Burdened with this deficit the Russian Government will enter upon the financial year 1907. One wonders what will be the actual figures of the deficit for the year 1907. In all probability the Budget estimate for the coming year, which will be published at the end of 1906, will not be more explicit than was the Budget estimate for the present year. On the contrary, it may be fairly assumed that the Russian Minister of Finance will choose the same system as that adopted for 1906 and begin by giving publicity to only half the truth

Is there, then, no possibility of forming at the present moment an approximately true estimate of the amount of the deficit which the Russian Government has to face in 1907? If it were possible to know the exact amount in the deficit of 131,600,000*l.* for 1906 spent in covering the cost of the Russia-Japanese war, we should be able to arrive at a fairly correct estimate of the deficit for 1907. In the Budget estimate for 1906 we find among the extraordinary expenditure the sum of 405 million roubles expended in connection with the war. On this point the secret report, most humbly submitted to the Czar by the Minister of Finance, contains the elucidatory remark (p. 6 of the French edition) that now, after the conclusion of the war, the expenditure connected with the war during 1906 can be calculated with a certain amount of accuracy. According to this report the war expenses during the financial years 1904 and 1905 amounted to 1,677 million roubles.

The entire cost of the war, including the 405 million roubles for 1906, is thus seen to amount to 2,100 million roubles (225,000,000*l.*).<sup>1</sup> Even on the assumption that the Russian Ministry of Finance made the somewhat serious miscalculation of  $\frac{1}{4}$  or  $\frac{1}{4}$  when inserting the sum of 405 million roubles in the Budget for 1906, the war expenditure for this year

<sup>1</sup> See footnote on p. 7 of the French edition of the *Rapport du Ministre des Finances pour 1906*.

still amounts to rather over a milliard marks (50,000,000*l.*). Thus it appears that the Budget for 1906 starts with a deficit of 50,000,000*l.*, apart from the cost of the war. With this fact before our eyes we may safely assume that the financial year 1907 will likewise show a deficit of 50,000,000*l.*, to which must be added the deficit of 335 million marks (16,750,000*l.*) of the year 1905.

The 5 per cent. interest on the last loan of 90,000,000*l.*, and the internal loan of 34,000,000 roubles, raises the annual expenditure in interest, which I computed last March at 723 million marks (36,150,000*l.*) by another 100 million marks (5,000,000*l.*). This means that in 1907 the Russian Government is bound to pay to its creditors the sum of about 823 million marks (41,150,000*l.*) in interest. Whenever a new loan is raised, the amount paid in interest increases.

According to the Budget estimate for the year 1906, the ordinary revenue of the Russian Government amounts to 2,207 million roubles (243,000,000*l.*). Of this sum the amount of 41,150,000*l.*, payable in annual interest, forms about 19 per cent. How long will it be before this interest on loans will amount to 25 per cent. of the ordinary revenues of the Russian Government? The decrease of revenue and the increase of State debts, especially of Treasury bonds, consequent upon the revolutionary movement, may greatly hasten that moment. The



conditions on which Russian State loans are raised were even in 1906 extraordinarily unfavourable, both in the case of the large foreign and the small internal loan. The new gigantic loan of 843 million roubles (90,000,000*l.*) in April last has only resulted in 677 million roubles, the direct loss in the raising of the loan amounting to 166 million roubles (17,680,000*l.*). If a State, in raising a loan of 90,000,000*l.*, is obliged at once to refund the creditor to the extent of nearly 20,000,000*l.*, that State has fallen into the hands of money-lenders. The conditions of the bills and Treasury bonds taken up by the Russian State from individual bankers are still harder. Owing to these short loans it is not quite easy to give the exact figures of the Russian National Debt. For October 1906, I put it at 24,342 million francs (973,680,000*l.*). It would be difficult to say how long the Russian Government may still intend, and be able, to increase the National Debt by the floating of additional loans. Will it still be possible for the Russian Government to raise several milliards of francs in loans? Since Russia has to pay 823 million marks (41,150,000*l.*) annual interest, a loan of only half a milliard francs (20,000,000*l.*) will not be of much use.

In all probability the Russian State will gradually drift into the position of only paying its annual interest after having first raised a loan for twice the amount. If the Government could maintain its solvency for two more years by raising

additional gigantic loans, the interest payable per annum would in two years' time amount to one milliard marks (50,000,000*l.*), and would absorb 25 per cent. of the ordinary State revenue. Even the French national economist, Paul Leroy-Beaulieu, admitted in his article on Russian finance in the 'Neue Freie Presse,' at the end of 1905 (No. 14,614), that such a situation must result in State bankruptcy.

Holders of Russian stocks have suffered enormous losses by the fall of prices during the last three years, since the end of 1903. Up to the present the holders of Russian Government bonds have lost some five milliard marks (250,000,000*l.*) owing to depreciation. Before the war Russian 4 per cent. Government bonds stood at 100, in the autumn of 1906 they stand at about 71, and they have repeatedly fallen to 69. To represent the entire situation it should be added that the mortgages of the Russian agrarian banks, mostly State guaranteed, which have been issued to the nominal amount of four milliard marks (200,000,000*l.*), have fallen in value to the same extent as the Government bonds. It is the same with the State guaranteed shares of private railway companies, which amount to over two milliard marks (100,000,000*l.*). Again, the shares of Russian industrial companies and banks, as well as the municipal loans, have fallen considerably in value. To estimate the losses of the

holders of the various Russian securities at nine milliard marks (450,000,000*l.*) would be no overstatement of facts. The share of Western Europe in these enormous losses suffered by holders of Russian values within the three years from the autumn of 1903 till the autumn of 1906, amounts to about six milliard marks (30,000,000*l.*). So serious a loss in so short a period of time is bound to be felt in France, Germany, England, Holland, and Austria.

In the opinion of an exceptionally well-informed and level-headed German university professor the Russian State would have become insolvent in autumn 1906 if it had been found impossible to raise the recent 90,000,000*l.* loan.<sup>1</sup> Is there any prospect whatever that the Russian Government will be able to raise a loan of 70,000,000*l.* in the year 1907 for the purpose of making good its deficit? As far as my information goes, German participation in such a loan is out of the question. Even before the floating of the 90,000,000*l.* in April last I gave it as a definite fact in the German edition of the present volume, issued in March 1906, that the participation of German stock exchanges in a new Russian loan would be an impossibility (p. 173).

At that time a large section of the German press did not share my opinion, and only later on it was recognised that I had formed a correct estimate

<sup>1</sup> *Neue Freie Presse*, Vienna, July 21, 1906, No. 15,054, p. 12.

of the situation. Since then public opinion in Germany has more and more come to my point of view. The failure of the 90,000,000*l.* loan, the shares in which fell about 10 per cent. within the first four months after their issue in Paris, London and Berlin, has everywhere in Germany occasioned a feeling of lively satisfaction at the fact that Germany had no part in this loan. It is extremely improbable that Austria, which is financially far weaker than Germany, should be inclined within the near future to court additional heavy losses through a Russian loan.

But what position will England take with regard to a new Russian loan? Even if the British Government were inclined to reward Russia's friendly attitude in connection with foreign politics by the admission of a loan, the British public would in no way share this inclination unless this loan was constitutionally recognised by the Imperial Duma. But even then British capitalists will remember that the 90,000,000*l.* loan of April 1906 very soon showed a fall of 10 per cent. from the original value. The fact that England participated in the 90,000,000*l.* loan only to the amount of 13,200,000*l.* shows that British capitalists have no great liking for Russian State loans. They will hardly be inclined to advance more than 40,000,000*l.*, and in no case will the British market be open to Russian financial requirements for several years in succession

before internal affairs in Russia are satisfactorily settled. Since it is my belief that the Russian revolution will continue for many years, I am not inclined to believe that British capitalists will care to do business to any considerable extent with Russia.

Owing to the fact that Russian State securities to the amount of eleven milliard francs (440,000,000*l.*) and railway and industrial shares to the amount of two milliard francs (80,000,000*l.*) are already held in France, that country is in a curiously difficult position. As soon as the Russian Government makes the continuation of the payment of dividends dependent upon a new loan in the French market, the majority of French capitalists will subscribe to the loan. Those French banks in particular who hitherto have advocated Russian loans will feel obliged both in their clients' and in their own interest to grant a new loan to Russia. But, notwithstanding this awkward position, it is not likely that a formal loan, a new Russian State security, will be accepted. The probability is that individual French banks will grant loans to the Russian Government in exchange for State bonds or securities. To such short loans the French banks, situated as they are, will probably agree even without the consent of the Duma. But loans of this kind do not often exceed the sum of from 100 to 200 million francs (4,000,000*l.* to 8,000,000*l.*). Some difficulty will be experienced in

France in connection with Russian loans, owing to the great influence which the present Prime Minister, M. Paul Clemenceau, exercises on public opinion. Meanwhile the entire French press, apart from the 'Humanité,' which is directed by M. Jaurès, is more or less dependent on the banks representing the Russian interest. Even M. Clemenceau is debarred from giving public expression to his views.

We are often told that the Future of Russia is wrapped in darkness; that no one can foretell how it will develop during the next few years. This view is incorrect. The first year of the Russian revolution, which came to an end on October 27, 1906, has made it plain that the Russian Empire is slowly but surely approaching a Reign of Terror, a State bankruptcy and dissolution. A recovery from its political, social, economical and financial injuries is impossible, since there is not even the serious desire for reform. The mighty incompatibilities in which we have traced the causes of the revolution are strengthened by its continuation. The position of the peasants is growing worse instead of better. The racial, national, religious and social hatred, instead of abating, is on the increase. The debts of the State are growing and its credit is beginning to suffer.

When a business man becomes a bankrupt, his creditors hand in their claims. When an Empire becomes insolvent, and falls a prey to anarchy and

dissolution, the neighbours put in their claims. It is one of the laws upon which this world of ours is founded that the nations who are strong and capable, force their will upon those nations and races, however strong they may be numerically, who are weak and incapable. The difficulties into which the Russian Empire has been plunged during the years 1904 and 1905, by the daring advance of Japan, are only a slight foretaste of the things which the Russian Empire will have to face in the future.

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